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ABSTRACT

Five topic areas in consumer education are provided in this manual developed for use by financial counselors in conducting ten one-hour educational sessions for adult groups. The session titles are the following: (1) The Internal Money World--The Individual, The Family, and Money; (2) Effective Money Management; (3) Effective Credit Management; (4) The External Money World--The Marketplace; and (5) Sharpening Buying Skills. Each section begins with a list of objectives and competencies and a brief presentation outline. This is followed by several pages of background material designed to provide the session leader with basic information needed to conduct the program. The last part contains one to three one-hour program plans providing a set of activities for the various topics discussed in each section. In addition to the program plans contained in each of the five sections, a one-hour motivational session (motivation to manage finances) is included, which is designed to be used as an introduction to the session. (JH)

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CONSUMER EDUCATION FOR ADULT GROUPS:

PRESENTATION PLANS AND LEARNING ACTIVITIES FOR USE BY FINANCIAL COUNSELORS

BY

RAYMOND E. FORGUE
RENNY MYERS
DAVID C. MYHRE
E. THOMAS GARMAN

U S DEPARTMENT OF HEALTH.
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

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FINANCIAL COUNSELING PROJECT

Project Co-Directors:	Dr. E. Thomas Garman, Associate Professor Department of Management, Housing and Family Development, VPI & SU
	Dr. Anita H. Webb, Assistant Professor Vocational and Technical Education, VPI & SU
Technical Consultant:	Dr. Ruth D. Harris, Director of Family Resources Extension Division, VPI & SU
Associate Directors:	Dr. Nancy A. Barclay, Professor and Department Head Department of Management, Housing and Family Development, VPI & SU
	Miss Hilda M. Dailey, Extension Specialist Home Management, Housing and Family Development, VPI & SU
	Dr. David E. Hutchins, Associate Professor Administration and Educational Services Division, College of Education, VPI & SU
	Dr. Esther A. Martin, Associate Professor Department of Management, Housing and Family Development, VPI & SU
	Dr. Michael J. Sporakowski, Professor Department of Management, Housing and Family Development, VPI & SU
Project Coordinator:	David C. Myhre, Research Associate Department of Management, Housing and Family Development, VPI & SU
Project Secretary:	Irene Beck Department of Management, Housing and Family Development, VPI & SU
Graduate Research Assistants:	Raymond E. Forgue, Consumer Studies, VPI & SU
	Donald R. Harvey, Marital and Family Studies, VPI & SU
	James E. Garrison, Marital and Family Studies, VPI & SU
	Renny Myers, Consumer Studies, VPI & SU
Consultants:	Mr. Robert E. Gibson, President National Foundation for Consumer Credit, Inc. Washington, D.C.
	Dr. Virginia Langrehr, Coordinator Consumer Affairs Programs, University of Wisconsin-Milwaukee

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PURPOSE OF THE MANUAL

This manual of consumer education materials has been developed in an effort to provide a resource that financial counselors can use when called upon to lead consumer education workshops and presentations for adult groups. These groups can include, but are not limited to financial counseling clients. The materials can also be useful to professionals other than financial counselors who may be called upon to lead consumer education efforts. Community leaders, extension personnel, educators, financial counselors, and people in business are encouraged to use this manual when conducting group sessions for adults interested in developing more competence in various areas of consumer education. The areas chosen for inclusion in this manual were determined to be the most important general areas of consumer education.

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* Any references to people or places in the examples of consumer problems in the manual are fictitious. Any resemblance to people or places in reality is unintentional and coincidental. However, names of businesses and products that are referred to are authentic.

FOREWORD

This publication is one of four developed at Virginia Polytechnic Institute and State University by staff of the Financial Counseling Project, an activity funded by a grant from the U.S. Office of Education. These materials are designed to help fill the need for training materials in the growing field of family financial counseling.

The effects of inflation and dramatic increases in the costs of food, utilities, transportation and medical expenses have left many Americans deep in financial trouble. Many individuals and families find themselves overindebted with consumer credit bills that they cannot pay. For some, this is partly due to increases in living expenses. Others, in response to advertising pressure and the lure of the "good life," have gone over their heads in debt trying to "keep up with the Joneses." These people often search for someone who can help them out of their financial difficulties.

There is a wide range of people who can, and often do, provide financial counseling to those who have problems with overindebtedness. The one type of agency that specifically deals with these problems is the Consumer Credit Counseling Service, with some 200 affiliated agencies throughout the country. People who live in areas without a CCCS turn to social service agencies, social workers, clergymen, extension agents, home economics teachers, community action programs, credit unions and other credit lenders, in addition to other sources of help. Many of the above professionals have no specific training in how to deal with problems of personal or family finance and find it difficult to locate educational materials to teach them how to give assistance with financial problems.

The field of "financial counseling" is very broad and includes such areas as investment counseling, estate planning, budget counseling, and even consumer education. These publications specifically address those counselors who assist people with a variety of financial problems rather than those who provide investment advice. The broad term "financial counselor" is used throughout the material.

The materials we have developed are based both on previous research and previous materials developed at Virginia Polytechnic Institute and State University. To determine in which areas of family financial counseling there existed the greatest need for new instructional materials, we surveyed a wide cross-section of people who work directly or indirectly with people and their financial dealings. Consumer credit counselors, welfare agencies, credit union personnel, social workers, extension agents, clergymen, bankruptcy trustees, community action program workers and others were included in both our nationwide and in-depth Virginia surveys. These and earlier materials reflect the needs discovered in this survey.

One of the new publications is an adaptation of self-instructional modules to group format. Various agencies are now teaching financial counseling to groups of people and there was a perceived need to provide group instructional materials for financial counselors.

Another of the new publications is a group leaders' guide for presenting consumer education and financial management classes to client and community groups. The majority of Americans have had no exposure to these basic knowledge and skill areas and as a result, get into financial difficulties. It is hoped that by teaching consumer groups, a financial counselor can provide preventive education to people before they get into a financial jam.

The third publication is designed to increase financial counselors' awareness of the counseling field. It presents numerous approaches to counseling and points out their potential application to financial counseling. One current issue in financial counseling is the development of professionalism. This material provides an overview of a variety of counseling approaches that can be integrated into either a counselor training program or into an individual counselor's style.

The fourth publication is a guide to community services that can be used by a financial counseling agency to develop a community service handbook. If completed, this can provide a financial counselor with comprehensive listings of community resources and can be used as a referral guide.

The Financial Counseling Project is clearly aware that various financial counselors and agencies operate in diverse ways. Therefore, it is expected that users of the materials will adapt them to their own unique needs. These are prototype materials which we hope will provide the direction for future development and refinement of a complete set of financial counselor training materials.

Introduction

Consider the following statements which attest to the current level of consumer knowledge possessed by American consumers.

- Many Americans believe that if they could only increase their income, all their money problems would be solved.
- Many Americans believe that they are immune to advertising appeals.
- Financial planning is a joint effort of husbands and wives in only a very small, although increasing percentage of families.
- Consumer debt is currently at an all time high both in absolute amounts and as a percentage of assets.
- It has been estimated that consumers could increase their purchasing power by up to 20 percent if they used wise buying techniques.

Each of these statements supports the need for effective consumer education. Financial counseling clients and others can benefit from basic knowledge of their own values, attitudes and goals, how to keep track of their money, how to use credit, how the marketplace operates, and how to buy intelligently. This manual is intended to provide financial counselors and other group leaders with information and program plans which they can use to conduct effective consumer education efforts.

Contents of the Manual

This manual entitled, "Consumer Education for Adult Groups: Presentation Plans and Learning Activities for Use by Financial Counselors" contains the following sections or topic areas:

A Motivational Session

Section 1: The Internal Money World - The Individual, The Family, and Money

Section 2: Effective Money Management

Section 3: Effective Credit Management

Section 4: The External Money World - The Marketplace

Section 5: Sharpening Buying Skills

Each Section begins with a list of objectives and competencies and a brief presentation outline. This is followed by several pages of background material which are designed to provide you, the leader, with basic information you will need when conducting the instructional programs. These background materials are not meant to be seen by the group participants

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although some portions may be reproduced and distributed to the various audiences, if you wish.

The highlight of the manual is the series of suggested program plans which can be used with client groups or any other interested group. Each Section contains from one to three one-hour program plans. The objective of these plans is to provide you with a detailed set of activities which you can use when conducting consumer education programs on the various topics. While it is our desire that you use and present the entire series of plans, the set of plans given in each Section can, with minor adaptation, be made to stand alone. This will enable you to set up a series of programs for groups who do not want to cover all five of the topics addressed in the manual, or to do a single presentation to a group on only one topic of interest.

In addition to the program plans contained in each of the five Sections, a one-hour motivational session is also included. This motivational program can stand alone thus providing an overview for those groups which do not desire to receive the entire series of programs. Or, the motivational program can serve as the introduction to the entire series of ten(10) one-hour consumer education programs.

Making Use of These Materials

Including the introductory motivational session, there are a total of ten(10) one-hour programs. We envisioned that these programs would be presented over the course of six weeks. Meeting weekly, a group would get together for about 2 1/2 hours and would cover two sessions with a break for coffee in between. A typical schedule might look like the following:

Week #1: Hour 1 - Motivational Session
Break
Hour 2 - The Internal Money World, Session 1
(Homework Assignment)

Week #2: Hour 1 - The Internal Money World, Session 2
Break
Hour 2 - The Internal Money World, Session 3
(Homework Assignment)

Week #3: Hour 1 - Money Management, Session 1
Break
Hour 2 - Money Management, Session 2
(Homework Assignment)

Week #4: Hour 1 - Money Management, Session 3
Break
Hour 2 - Effective Credit Management

Week #5: Hour 1 - The External Money World, Session 1
Break
Hour 2 - Sharpening Buying Skills, Session 1

While this schedule is not the only one which could be established, it has some advantages. First, meeting for two and one-half hours is beneficial. It is long enough to make the trip to the meeting worthwhile. Yet it isn't so long that the program couldn't be presented in an evening or that it would be difficult for audiences to maintain interest and attention. Second, it may be difficult to get adults together regularly for a period much longer than five weeks. Third, the homework assignments are scheduled so that they fall at the end of each weekly meeting. This allows a full week for their completion. Varying from this schedule will require rescheduling of homework assignments and probably a new set of program plans.

Suggestions for Working with Adults

Since you will be working with adults, it would be helpful to identify some ideas to keep in mind about adult learning situations. First, the learning setting should be both attractive and informal. This should be a somewhat different atmosphere than that of an actual classroom learning situation. The informality is especially important because the leader needs to establish and maintain good rapport with the adult learners, in addition to demonstrating respect for them as individuals. Second, by trying, to some extent, to determine the life style and spending patterns of those present, you can better assess the future educational needs of the group. This will help you identify the direction, scope, or concentration of your consumer education presentations. Third, encourage the learners to self-evaluate their own private consumer behavior throughout the session(s). Suggest that they ask questions when things are unclear. Further, you might recommend that they contribute related ideas and experiences that "have worked for them" when they feel it is appropriate, so that the whole group might benefit from learning about these experiences. The learner's extent of knowledge and interest in the area to be examined should be the main criteria for you to use in determining exactly what and how much of the area will be learned. It is your job to see that the adult learner "gets what he wants" in the learning sessions. Remember to keep these ideas in mind when working with adults: respect the learner at all times; try not to force your opinion on others; take breaks from time to time rather than meeting for a long, extended time span; and, help give them a feeling of worth.

An indication of your success may be your adults requesting a follow-up session on a topic(s) covered. If so, our suggestion for this program is to moderate a session with one or more guest speakers. This might serve as an in-depth session on one sub-topic (i.e. food buying) or as an overview of an entire topic or group of topics.

There are two purposes for presenting these program plans to consumer education groups. One purpose is to convey information to people, assuming that when a person knows something, he or she will then put it into action. Unfortunately, we all know that people are more likely to act by habit rather than by reason, and people who "should have known better" make mistakes that they could have avoided if they had used the knowledge they already have.

A second purpose, therefore, of these group presentations is to attempt to motivate people to apply their knowledge in real life. People can increase their purchasing power by 5, 10, even 20 percent by applying wise shopping methods. People can achieve most of their important financial goals by applying proper financial planning and management techniques.

The difference between successful money managers and unsuccessful ones is more a difference in what they do, rather than what they know. Thus, to maximize your success in presenting these group programs, we encourage you to continually stress to your group members the importance of applying their knowledge and skill.

For most people, the habits and patterns of financial management (or mis-management) that they have developed are unlikely to allow them to reach their goals. When you, as a group leader, can motivate people to apply effective money management and buying techniques, you will find that your success will be obvious. Your groups will be enthusiastic and you will be invited to present more and more programs. We hope that these materials will be a positive part of your growth and development as a successful group leader, and that the purposes of the materials will be achieved with your adults.

Using The Motivational Session

In the United States today, research indicates that few individuals and families use an effective financial management plan or search extensively for the so-called "best buy." There are two factors behind this lack of proper money management. The first is a broad category of lack of knowledge and skill to properly manage money. Many people simply do not know how to manage their family finances. The second factor is a lack of motivation. For a wide variety of reasons many people think that "it's too much trouble" or "too difficult," or "it's just not worth the effort" to develop a sound money management system and to shop carefully.

The first group presentation or program plan deals primarily with the second factor, the lack of motivation. The sessions to follow deal mostly with the first factor, the lack of knowledge and skill. Your objective as a group leader when presenting the motivational session is to attempt to either motivate people to join a later series of sessions in which you will teach them money management and consumer skills, or to set the stage for those who have already agreed to participate in all ten sessions. Thus, this motivational session can stand alone for use with groups who only want and overview or it can be the first in a series of ten sessions.

We encourage you to prepare the motivational session with care. If you can successfully motivate people to want to take charge of the finances and consumer behavior, you will find that your education program will be filled with eager participants.

Many group leaders have found that their rate of success increases greatly when they screen group members prior to conducting the sessions, allowing only those people with a serious desire to learn into the group. We offer this suggestion for your consideration. This first session is intended to make people want to learn how to develop a financial management plan and become careful consumers. Thus, this first session could be open to anyone, and is suitable to be given in a wide variety of settings - public schools, civic groups, on radio or T.V., etc.

When you organize a group of people to whom you will present the rest of this series of presentations, however, there is an assumption that the participants will be involved in the process. There are group exercises to be done. There are at home assignments to do. Group members who do not actively participate in these processes will not learn much. More importantly, they may get in the way of the group members who are actively working.

If you decide to screen people, consider writing up a simple contract. Your obligation is to teach the group members and their responsibility is to do the work assigned. The contract will usually weed out those who are "just along for the ride."

Financial counselors have a unique aptitude for presenting educational sessions of this type. Working every day with people who have financial problems gives you a clear understanding of the "methods" that people use to get themselves into a financial mess. Therefore, you have the kind of knowledge and experience that prepares you, perhaps better than any other group of people, to clearly assess what the likely effects will be of a given financial management plan. How many times have you heard clients say "Gee, we thought we were doing real well, and then along came ...?"

With your experience and expertise, we predict that you can use these group presentations in your community to promote sound money management and consumer skills. Feel free to adapt these program plans to the special characteristics of your community or the group you are addressing. Also retain some of your own individual style. We hope that these materials will contribute to your success as a financial management educator. Good luck!

Motivational Session - Background Material

A. Financial Management In A Troubled Economy

These days it is common to hear complaints that prices are going up, inflation is eating away at income and the impression is given that these trends will continue. The indication is that something terrible is happening economically to Americans. We hear rumors of energy crises, recession, and even a depression around the corner. Yet in the marketplace, Americans have been on a spending spree.

A recent study of American families found a "deep and pervasive sense of economic insecurity" in most of the families that they interviewed. Fear of the unknown is common, but it is most pronounced in people who are unprepared to cope with change. Although changes are taking place in the marketplace, families who are prepared, those who have planned ahead, are having very little trouble in adapting to the changes taking place in prices and other areas.

One major reason why so many families fear these changes is because so few families are prepared. The study referred to above found that one-half of the families interviewed say that they have a "budget." Yet only 12 percent admit that they have it on paper. Other indicators point toward the use of a written, jointly agreed upon budget by only 2 percent of all families.

Only half of all Americans save money. Only about a quarter save regularly. Even of these families, most find that they have to dip into savings in order to pay for day-to-day living expenses.

The fact is that a small minority of American families adequately manage their financial resources. The number that really do a good, sound job at this task may be as low as 2 percent. As a result, the vast majority of families are not prepared to cope with economic change.

The American family can be likened to a small business. It has income and expenses. It makes capital investments in the form of houses, cars, and appliances. It provides salaries to its members in the form of allowances and spending money. But when it comes to managing cash flow and to economic planning to "stay in business," the average family is quite unlike a small business. If small businesses managed their money the way the average family does, the majority would be in financial trouble if not out of business.

B. Working Class Millionaires

Some of the financial effects of poor money management can be seen by looking simply at the numbers. The average young person or young family today can expect to earn somewhere in the neighborhood of three-quarters to one and one-half million dollars by retirement age. This will be especially true if inflation continues at its current pace. Even being a bit conservative we can estimate a family's projected income to be $1,000,000.

It is obvious that a million dollars is a lot of money. A corporation with a million dollar budget would manage that money very carefully. A great deal of record keeping and planning would take place in order to maximize the potential of all that money. Individuals, on the other hand, since they get their million dollars in small amounts each payday seem to think that what they do with that money isn't really very important. One aspect to look at is purchasing power.

It is estimated that by shopping carefully and using wise buying techniques people can save 5 to 20 percent on what they buy. If the average person saved just 10 percent on each purchase, it would increase their purchasing power by $100,000 over their lifetime. That represents a lot of shoes, cars and appliances.

Another area to consider is investments. If these "millionaires" invested just 10 percent of their lifetime earnings in such a simple form of investment as U.S. savings bonds, they would have at retirement a "nest egg" of about $300,000. Wiser, more productive investments would yield even higher returns.

One other area to consider is the use of credit. Generally, there has been an increase in the use of credit in this country over the years. For the family who uses credit, some 18 percent of their monthly earnings goes to paying off consumer credit accounts. Based on this 18 percent figure it can be estimated the average family that uses credit spends 5 percent of their income on the interest costs of their debts. Thus, over the course of a lifetime, our "millionaire" will spend $50,000 for the privilege of using someone else's money Saving in advance for needed items or saving up a substantial downpayment before making a credit purchase can increase real purchasing power by tens of thousands of dollars over a lifetime.

These few examples clearly show the benefits of sound money management practices. The dollars-and-cents gains available are considerable. Nevertheless, there is an even more important benefit resulting from sound financial management. It is to that other benefit that we now turn.

C. Financial Management and Family Conflict

A great deal of research has shown that arguments about money are closely associated with marital conflict. Although no study has ever documented that financial conflict causes divorce and other severe marital and family problems, the authors of this manual believe that there is no other topic that causes more conflict in the family than money. It seems that the effects of poor money management go far beyond just financial worries and problems.

We all know that one factor that enhances the quality of our lives is peace of mind. The person who continually worries about money matters, who scrapes by just to make ends meet is not likely to have a high level of basic life satisfaction. The person who, on the other hand, has planned and prepared for both expected and unexpected financial emergencies, who knows clearly that all of his or her family's basic needs have been planned for, has the peace of mind that can greatly improve the basic quality of life.

Financial management is part of a greater plan - a basic life plan. Before one can develop a sound financial plan that includes both present needs and future goal attainment, one must seriously consider one's values and goals. One must decide whether one is willing to give up an expensive hobby in order to put the kids through college. One must decide whether one is willing to risk spending one's retirement in poverty in order to have a luxury car and fancy clothes now.

In this sense, financial planning can be a part of a larger process. It can be a stepping-stone for people to use to create a basic plan for successful living. Financial plans can provide for the goal achievement of family members. The management process - the record-keeping, the shopping - can be an activity that brings the family together to jointly share the responsibilities and the rewards of cooperative sharing.

This cooperation and sharing is a key element in de-fusing the battleground of family finance that exists in the majority of families today. The authors of this material believe that financial management should be a family affair. Every family member who is old enough to participate should have responsibilities and rewards for their participation.

This includes children. Children are quick to learn and eager to help. When given a meaningful task to perform, children will often complete the task better than their grown-up parents. Children do need some supervision, but when challenged, they frequently amaze their parents.

This may horrify some people, but one family in financial counseling put their children. aged eight and ten, in charge of grocery purchasing. The children read newspaper food advertisements, clipped coupons, did comparison shopping. They did all the shopping and carried the groceries home on their bicycles. Their reward for this task was that they got to keep half of the grocery savings.

The net result of this program was amazing. The family food bill decreased 30 percent. The children's "allowance" tripled. The mother's time devoted to shopping was almost eliminated. Gasoline cost of driving to grocery stores was eliminated. Most importantly, though, the children learned a great deal about wise shopping, they experienced the success of performing a necessary and valuable family task and they got a sense of being a responsible, valuable, contributing member of the family. Incidentally, the kids spent far less time sitting in front of the T.V.

D. Rules Not to Live By.

There are three general rules for families to follow to make sure that their finances will always be in a mess. Following these rules will maximize the probability that they will argue and fight over money, that there will never be enough money to go around and that they will not achieve any of their financial goals.

1. The first rule is Don't Save Money. Spend it all as soon as you can. If you have some money and see something you want, buy it whether you need it or not. To implement this rule you shouldn't think about other possible ways you could spend this money. Reading catalogues and doing a lot of "recreational shopping" helps. Then you will always have a long list of things that you want filed away in your mind for the times that you have some money to spend.

2. The second rule is Don't Invest Any Money. Live in an apartment so you can pay rent. Spend as much of your income as possible on items that depreciate rapidly, that wear out quickly or that only last for a short time. New cars, high fashion clothes and cut flowers

are excellent examples. Do not start a retirement fund. If you can, avoid paying social security tax. By all means stay out of the market for stocks and bonds. Do not purchase any real estate.

3. The third rule is Always Live for Right Now. Tomorrow you may die, so be sure that today you have everything you want. Completely erase from your mind that one day you would like to send the kids to college. Ignore your retirement - Social Security will take care of that. Do not, under any circumstances, set any long-term financial goals. If you have a lot of money, live it up. Dine out every night. Make sure that you have everything you want right now.

The three rules above are part of the attitudes that many people hold about themselves, the world, and life in general. These kinds of attitudes lead to a general dissatisfaction with life. When one follows the three rules above, the resulting attitude toward financial management will usually by "why bother, I don't have enough to go around" or "there's not enough to go around" or "there's not enough income in our family to warrant bothering with a lot of planning and record-keeping."

E. Beliefs That Stand In the Way of Sound Financial Management.

Many people have deep-seated beliefs that keep them from attempting to take control of their finances. In presenting a group session like this in a community, it is wise to deal with these attitudes. Following are some of these beliefs, and comments about them.

1. It's out of my control. Taxes, inflation, rising prices - I can't keep up. There are many external forces at work that a person cannot control. However, by not planning ahead, one ensures that external events will have a negative effect on one's financial well-being. People who have not prepared for future setbacks, are the very ones who cannot adapt to external forces. This attitude is self-defeating because the result of holding this belief only intensifies the negative impact of forces one cannot control.

2. Financial management takes too much time. It's not worth the effort. Financial management does take time. However, as financial counselors will agree, it takes less time than is required to straighten out the problems caused by financial mis-management. For a person or family to develop a financial management plan takes an initial investment of time. Like any skill, there is a requirement at first of time to practice and, at times, to correct mistakes. Financial management takes a little time, but it is well worth the effort. Once a family has become skilled at this task, they can save a great deal of money and use their financial resources for maximum benefit to all family members. Compare the value of spending four hours a month on financial planning to four hours a month watching TV shows. The benefits are obvious.

3. I am a low-income person. I don't have enough money to warrant financial management. Low-income people, more than any other group, need to manage their money wisely. People with limited financial

resources need to maximize their resources. Unwise purchases by a low-income person have a proportionally greater negative effect on their financial status. Financial management and wise buying are the only ways in which low-income families can achieve many of their goals.

4. We don't have to pinch pennies. Our income is sufficient to cover anything we want. The most rapidly growing group seeking financial counseling are those with substantial incomes and correspondingly large debts. It is no longer unusual for clients to have incomes above $30,000 - as much as $100,000 and more. Installment debts of $10 - 20,000 are no longer unusual. Many people have achieved what they used to think was their ultimate goal, say an income of $50,000. They then say, "We've made it. We no longer have to worry about money. We can afford anything we want." This is rarely true. Few people, if any, have no limit to what they can afford. The cost of living has doubled since 1968. If in 1968 your dream was to make $50,000, today it takes $100,000 to live on that level. At no level of income does financial management become unnecessary.

5. I work hard for my money. The last thing I need is to worry about what I'm going to do with it. I want to come home and take it easy. It would be logical to assume that if you work so hard to earn that money, you'd be careful to see that you get the most out of it that you can. "Taking it easy" - not noticing wasteful habits - is frequently the cause of serious financial problems. Ignoring one's finances often leads to sudden crises for people who haven't bothered to keep track of where their money goes.

There are a variety of these kinds of self-defeating beliefs that people cling to in order to justify why they don't (or won't) develop a financial management plan. The group leader needs to keep in mind that it is O.K. for people to choose not to manage their money. The leader's task is to provide an experience in which people can learn the benefits of financial management and then get them to choose whether they want to enroll in further sessions in which they can learn more.

F. Summary.

The leader can expect that not everyone will be interested. Focus on the ones who seem interested and encourage them to pursue a series of sessions on money management. If you have one or more outspoken critics in your audience, the best way to deal with them is to acknowledge their comments and move on to another person. Do not attempt to argue or debate issues in a group. You will only tie up the discussion and slow down the group.

Financial management can have a tremendous impact on a family. By cooperatively developing and implementing a financial management plan, a formerly conflict-ridden family can work cooperatively together, benefiting every member. Through the process of financial management, people can experience that what they do does make a difference.

In families that don't cooperatively manage their money, an emphasis is often placed on comfort, style, convenience and appearance. It is alarming how few people have discovered that these things do not lead to satisfaction.

It is what people do that leads to satisfaction. They learn that what they do makes a difference. They learn that they can minimize the effects of the external forces of inflation, taxes and rising prices. They learn that they can maximize the potential of both financial and personal resources.

Finally, they can learn that developing and implementing a financial plan within the context of the family can create feelings of mutual cooperation and respect for the desires and contribution of others. This can change a conflict-ridden, selfish family into a healthy, cooperative family while, in turn, maximizing the benefit to each family member.

The majority of adults do not manage their money because they weren't taught how. Today, it is rarely taught in the schools. Therefore, the only place it can be learned is in the family. For parents who want to give their children everything they couldn't have as a child, a good place to start is to give them an experience in family financial management. It will be a gift their children can use for the rest of their lives.

Suggested Program Plan

Motivational Session

Objectives:
1. To present facts and information about financial management.
2. To present the many advantages that financial management can offer.
3. To introduce people to the effects that financial management and mismanagement have on families.
4. To create an atmosphere in which people can choose to learn financial management.

Materials Needed: Surface to write on; chalkboard or newsprint, handouts of Chart 1.

INTRODUCTION

Notes on Activities	Time	Activity
	2	Introduce yourself and give information about your occupation and what you do in financial counseling. It is common practice to tell a joke if you are speaking to a group in the community. "I have to deal every day with individuals and families that have all kinds of financial crises and emergencies. I see low income clients, wealthy clients and everybody in between. My business has been booming lately. I finally figured out that it would be in my own best interest to get out into the community and start teaching people about financial management so I wouldn't have so darn many customers."
Give group members time to raise their hands. Encourage them to participate.	1	"I'd like to start today's (tonight's) session by finding out a little bit about you. How many of you have a personal or family budget? Let's see your hands. . . Good." "Now, how many of you have a financial management plan? Let's see your hands... Good."
	FINANCIAL MANAGEMENT	
	5	"It looks like there's a little confusion

Notes on Activities Time Activity

out there. What do I mean by a budget? Well, a budget is a piece of paper on which one writes down the amounts of money one wants to spend on various things. The problem with a budget is that if you don't follow it, if you don't spend your money the way it says to, your budget doesn't work. It's not worth the paper it's written on.

"A financial management plan, on the other hand, tells you how much you have to spend, what to spend it on, how you spent it in the past and projects how much that item will cost you in the future. It also tells you at a glance how far along you are toward achieving your short, intermediate and long term financial objectives and goals."

Note how many hands are raised. If only a couple, your group is average. If there are many, your group is way above average. If none, they're still pretty average.

"Now let's go back to the first question. Regardless of what you call it, how many of you can go back to your financial plan and in five minutes can tell me how much you paid for groceries in April of last year, how much in January of this year, and how much you project to spend in October of next year? How many can tell me what percentage of their retirement savings objective they will have reached by the end of this year? Let's see the hands."

"Alright. I can see that this group is:
choose } about average
one } above average

Nationally, only very few of all families have a jointly-agreed, written, financial plan from which they can tell me the kinds of things I was asking."

"I can see a few raised eyebrows out there. You're probably saying to yourself, 'that cupcake's out of his mind! It would take me twenty hours a week just to keep the books for something like that!' Not true. It does take a while to learn how to operate a financial plan, but once you have a system, it takes about an hour a week to maintain it. That's about the same amount of time you spend watching "All in the Family" or "Happy Days."

REASONS FOR NOT MANAGING MONEY

Notes on Activities	Time	Activity
See background material: Reasons for not managing money. Write the reasons on the chalkboard.	4	"The time it takes to develop and maintain a financial plan is a frequently mentioned reason that people give as the reason why they don't manage their money. People always have reasons why they do or don't do things. What are some other reasons you can think of that people give to explain why they don't manage their money?"
If the group members don't come up with much, lead them or you can mention the following: 1. With taxes and inflation, I can't even keep up. 2. Takes too much time, not worth the effort. 3. I'm low-income. Don't have enough to manage. 4. We have enough income to afford whatever we want. We don't need to plan and manage. 5. I work hard. Don't want to worry about it. I'd rather spend my time taking it easy.		
	2	"I'd like to take a few minutes to discuss these reasons that people give to explain why they don't manage their money."
Discussion on the topics that are most likely to be of interest to the particular audience you are addressing. The Rotary Club may not include anyone with low-income, so you can skip #3. With a low-income group you can skip #4.		

Notes on Activities	Time	Activity
	3	"O.K. Let's look at the first reason. How many of you sometimes think that you just can't keep up, that no matter what you do, it really doesn't make a difference? Let's see your hands. I'd like you to quickly read #1 and then offer some comments."
Watch your group to see when they finish reading, then ask again for their comments. NOTE: Many people cannot read. If your group is likely to have non-readers, read it aloud.		
Repeat the process for each of the five reasons.	3 each	
		"Alright, we have now covered some self-defeating reasons why people don't manage their money. Let's now take a look at the effects of financial non-management or mis-management."

EFFECTS OF FINANCIAL MIS-MANAGEMENT

Notes on Activities	Time	Activity
	6	"First, most research indicates that married couples disagree, argue, and fight more about money issues than any other topic. No research has ever proven that financial conflict causes divorce, but the research does show a close association between divorce and financial conflict." "We know from careful research studies that over half of all married couples argue a lot about money. When all the related research evidence is weighed together, it is fairly safe to say that financial conflict is probably the single most destructive force in most marriages. It causes a great deal of dissatisfaction." "When we look at obvious symptoms of financial mis-management we find bankruptcy, wage garnishment, court summonses for judgements, harassment by bill collectors and so on. What is the effect of these problems? Unfortunately, there is little research that can provide an answer, but as a financial

counselor I can sum up the effects of these problems with one word: devastating. I have seen people on the verge of a nervous breakdown. I've seen people who are afraid to leave their house for fear they will be served another summons to court. I've seen people in total panic because their car, that they need to get to work is going to be repossessed.

"The R.J. Reynolds corporation did a study of their employees who have financial problems. They estimate that five to ten percent of their work force has financial problems. These employees miss work more often, are less productive, have more accidents and injuries and cause a great deal of company paperwork. They also suffer from a very high degree of related problems - marital and family conflicts, court actions, alcohol abuse, drug addiction, suicide, homicide, mental illness and gambling. They estimated that the net cost to R.J. Reynolds of employees' financial problems was over $650,000 per year. And their estimate was very conservative."

"Finally, there is one more effect of the lack of money management. This affects millions of individuals and families. This problem is less easy to describe, but I will use terms frequently used by clients. People who are not in charge of their finances, who don't keep track of where their money goes, those that have no goals to work toward frequently mention their sense of hopelessness, frustration, confusion, aimlessness, depression, even despair about their financial situation. They talk of being on a treadmill, trudging along, but getting nowhere."

"People in this state of mind suffer a wide variety of physical and emotional upsets. Worse yet, they develop a dissatisfaction with themselves, their work, their family and life in general."

"What we have is millions of people who are not taking charge, who are not in control,

Notes on Activities	Time	Activity
		people who are allowing themselves to be blown around by the wind, at the mercy of outside circumstances."
		"In the game of life, there are two basic rules. #1 is that from birth until we die, we're in the game. #2 is that what we do determines what we get out of the game. If we choose not to actively play the game, then what other people do will determine what happens to us. Satisfaction in the game of life comes mainly from how we play the game. If we do well, we reach our goals. If we do nothing, we don't reach any goals."
		"It doesn't take a genius to stand up in front of this group and say, 'Prices have been rising, they're going up more now, and it looks like they will continue to rise in the future.' Rising taxes, inflation, increasing prices are reality. The people who will be least harmed by this reality are those who have a financial management plan."
		"A financial management plan is like a game plan to defeat inflation. Without a plan, you are not likely to win the game, to say nothing of getting into the World Series."
		"Now that's what it's all about. If you want to be financially successful in life, you have to do what is required for success. The doing portion includes not only earning money but also includes managing and using that money wisely."
		"A lot of people make the mistake of thinking that earning money alone leads to financial success. An example should serve to clarify this misconception. A financial counselor I know has a client, a medical doctor, whose income is over $100,000 a year. He is hounded by bill collectors, has many court judgements against him, and he hasn't one penny in savings. His finances are a complete disaster because he never learned how to manage money."

THE POSITIVE EFFECTS OF FINANCIAL MANAGEMENT

Notes on Activities	Time	Activity
	5	"Now, I would like to change the focus of what we're talking about. We've had enough talk about all the disasters that happen to folks who don't manage their money. Let's concentrate on the positive things that happen to people who take charge of their finances. I know I can't scare you into better money management habits, but perhaps I can convince you that sound money management can make a positive difference in your life." "I've been talking for quite a while now. Let's hear from some of you. What beneficial effects would you expect to happen as a result of sound financial management? Perhaps some of you who already have a management plan can share with us what good it has done you."
Be looking for responses from the following four categories. If group members don't mention them, the leader should. 1. Helps you to achieve goals. 2. Gives you a sense of being in control. 3. Gets you the most for your money; maximize resources. 4. Reduces family conflict - encourages cooperation - teaches children about money. Write these four areas on the board and discuss them briefly. Get as many comments from the audience as possible and fill in whatever they don't mention.		

Notes on Activities	Time	Activity

OTHER CONSIDERATIONS

5 "Money management is only one of the areas individuals need to be aware of if they plan to make the best use of their money. A general knowledge of the marketplace is also needed. This includes an understanding of the buyer-seller relationship, the wise use of credit and good buying skills. Without knowledge in these areas, individuals or families may have difficulty making the best use of their money even if money management is practiced."

"Let's look at the use of credit for example. If people are not careful when using credit, they can easily become overextended. Presently families who use consumer credit spend an average of 18 percent of their monthly earnings to pay their credit debts. This 18 percent figure is only an average; many families spend more. Many of these people could reduce the amount they spend on credit just by shopping carefully for the lowest interest rates. On a $1,000 loan the difference in finance charges can be as much as $75 depending on where the loan is obtained. Banks, stores, credit card companies, and small loan companies all charge different interest rates for the use of credit. Usually it is cheaper to borrow money from a bank to buy a new television set instead of purchasing it on credit from the store. But there is no way of knowing where credit is least expensive unless you check interest and comparison shop."

"Comparison shopping for credit has been made easier since the passage of the Truth-in-Lending Act in 1968. Under this law, creditors are required to give persons who are applying for credit a complete breakdown of the cost of credit including the true annual percentage rate (or APR) and the total finance charge. To determine which institution would give you the best buy for your money you simply compare the APR's and finance charges at the various sources of credit. Then choose the one

Notes on Activities	Time	Activity
		which allows you to make the best use of your money."

CHILDREN AND MONEY

5 "To close this session I would like to emphasize a last point - teaching children about money. Unless you have very unusual schools in your community, your children will complete high school, even college, without ever studying anything about financial management."

"How many of you have children?"

"How much do they know about financial management?"

Discuss.

"The world that you are preparing them for is becoming tougher every year for young adults. They are assaulted by advertising, buy now-pay later ads, credit cards, charge accounts, inflation, etc. and most of them have no knowledge and skill whatsoever to cope with it."

"The only place most children will ever learn money management is in the home. It's one of the best things you can do for your children."

QUESTION AND ANSWER PERIOD

10 "This brings to a close my formal remarks. I hope what I have said has been helpful. At this time I am prepared to answer a few questions. Who has a question about what we have talked about or any related subject?"

OBJECTIVES:

SECTION 1. THE INTERNAL MONEY WORLD - THE FAMILY, THE INDIVIDUAL, AND MONEY

Major Objective:

To explore the relationship between the belief and value system of the family or individual and their usage of money.

Specific Objectives:

To define values, attitudes, and goals and to analyze their relationship to money use.

To specify a functional definition of money.

To list some destructive, non-productive uses of money and explain how each can stand in the way of financial satisfaction.

To provide a decision-making process which can be used for making financial decisions.

Learner Competencies:

Give a definition of values, attitudes and goals.

Specify components of their value, attitude, goal and priority network.

Give a definition of money.

Identify destructive, non-productive uses of money, the harm these uses can cause, and how they can be avoided and corrected.

Identify and use a set of procedures for making financial decisions and solving financial problems.

PROGRAM OUTLINE

Section 1. The Internal Money World

Sessions 1, 2 and 3.

- A. Values, attitudes and goals
  - 1. Defined
  - 2. Identified and analyzed for:
    - a. Consistency
    - b. Conflicts
  - 3. Self-analysis
- B. Analysis of behavior as an indicator of values, attitudes and goals
- C. Determining priorities
- D. Money defined
  - 1. By economists
  - 2. As a tool or resource
- E. Destructive uses of money can harm:
  - 1. Current finances
  - 2. Achievement of goals
  - 3. Inter-personal relations
  - 4. Personal development
- F. Decision making and problem solving
  - 1. Define the problem
  - 2. List alternatives
  - 3. Evaluate alternatives
  - 4. Make the decision
  - 5. Implement, evaluate and adjust

Section 1. The Internal Money World - The Individual, The Family, and Money

A. Exploring Values, Attitudes and Goals as Related to Money

1. Values, attitudes, and goals defined. In order for people to get a handle on how they think and feel about money, they must explore their values, attitudes, and goals. These terms are frequently used but often not fully understood. Consider the following definitions.

    a. Values are defined in a dictionary as relatively permanent beliefs, standards and moral precepts which specify that which a person regards as desirable, worthy, or right. Some examples of values could be honesty, home ownership, thrift, and being a strict parent.

    Values are important because they serve as a basis for how people think, feel, and act. Values also serve as a foundation for attitudes and goals. Thus, values are at the base of much of what we do. Because values are so basic, any efforts to analyze or change a person's behavior in regard to money will have to begin with a look at his or her values.

    Most people have a stable network of values. Over a lifetime, values change very little and tend to reflect early experience or upbringing. The basic, stable nature of values means that most people have relatively few of them and that each is very important in directing their lives.

    b. Attitudes have been defined as states of mind, opinions, or judgments regarding some matter, situation, event, person, or thing. Attitudes reflect values and the two usually form a consistent belief system. For example, a person who values honesty would tend to have a negative attitude toward people who lie or advertisers who stretch the truth.

    Attitudes, however, are much more flexible and subject to change than are values. For example, a person who values home ownership would have attitudes about various styles or types of housing. These attitudes could change without affecting the underlying value of home ownership.

    Attitudes, then, are evaluative opinions which reflect a person's values.

    c. Goals are objectives and desired ends which people have chosen as worthy of working towards. The relative worth of a goal will reflect a person's values and attitudes. For goals to be achieved they must be paired with some plan of action which will lead to their achievement.

    d. The purchase of a single-family residence can exemplify the relationship between values, attitudes and goals. The underlying value is that of home ownership. This value is reflected by an attitude that even though home ownership is valued, ownership of a single-family residence rather than a condominium or duplex is best. In keeping with these values and attitudes the family may have as their goal the ownership of a single-family dwelling. To meet this goal they set up a plan to save 10% of their take-home pay until the goal is reached.

2. Determining values and attitudes. It is very difficult for people to differentiate between values and attitudes. It is even more difficult for people to verbalize their own values and attitudes and to discuss them with others. Also, the accuracy of these verbalizations can be questioned in some cases because people say what they want to believe about themselves or what they think others will want to hear.

   As a group leader, you will want to help people discover if their values and attitudes are or could be a source of financial problems. Your initial task will be to help people specify just what their values and attitudes are. This job is difficult because of the problems people often have in accurately verbalizing these important feelings and beliefs.

   Fortunately, verbalizations are not the only indicators of a person's values and attitudes. As was mentioned earlier, values and attitudes serve as a basis for behavior. Thus, behavior can be an indicator of a person's value system. Furthermore, behavior may be a more accurate indicator because in spite of what a person says he believes, it is his actions which really matter.

   Perhaps, then, the best indicator of a person's values and attitudes is behavior. Thus a person who claims to value thrift, yet constantly uses credit even for small purchases, may not be accurately verbalizing his/her values. In helping people analyze their values, attitudes, and goals, your focus should be on both what people say and what they do. In this way, you can focus on both the real and the ideal.

3. The importance of goals. Thus far our discussion has centered primarily on values, attitudes and behavior. The connection between values, attitudes and behavior is not direct. There is an intervening factor. That factor is called goals.

   Goals serve two important purposes. They serve as targets so that behavior can be planned to achieve goals. They also serve as a means of evaluating behavior. If goals truly reflect attitudes and values, and behavior is such that goals are met, then goals serve their purpose as a link between values, attitudes and behavior.

   This linkage is apparent when money-related behavior is involved. For example, a family may place a high value on education for its children. This value will be reflected in behavior when a related goal is established and met. The goal may be to establish, for each child, a $10,000 college tuition fund by the child's eighteenth birthday. This would translate into a short-term goal to save $45 per month. This goal outlines a specific behavior which is consistent with the value held.

4. Consistency and conflict among values, attitudes and goals. As a group leader, you should stress the importance of a consistent network of values, attitudes, goals, and behaviors. Goals must reflect values and attitudes. Behavior must lead to the achievement of goals. It is the consistency, more than the "rightness," of the values, etc. which is a key to a satisfactory financial situation.

Examples of consistency among values, attitudes, and goals can be seen in Chart 1. Chart 1 is a network of values, attitudes, and goals for an imaginary family. By reading vertically under the values related to education and family togetherness you can see that the attitudes and goals are consistent with each value and with each other. Under the sociability value there is some inconsistency because, although they value sociability, they avoid entertaining at home. If the chart were to include behaviors, there would be even more potential for inconsistencies.

Our imaginary family has done fairly well in solving the problem of consistency. They are, however, faced with the problem of competition between values. Only three values are listed for our family, although in reality there would be many more. Even in this simple diagram, conflict exists. This is especially evident from an analysis of their goals. They probably cannot afford to save for college, go on a two-week vacation, and attend the national convention. Therefore, they must give thought to the relative priority of their values and goals. Because priorities vary from family to family, the chart does not specify behaviors.

For most families, the establishment of priorities among financial goals is a necessity because wants exceed resources. As part of this program you are going to ask participants to do some thinking about their priorities. In very many cases, people will verbalize their priorities on the basis of what they want them to be rather than on behavior. This verbalization process is a necessary first step when establishing priorities, but it is of less benefit when attempting to determine true priorities.

The key to determining a person or family's true priorities is their behavior. No matter how important they say a goal is, if it is not reflected in behavior, it is of a low priority. For example, if they claim that a college education for their children is of high priority, yet they can't "afford" to save for it, it is probable that many other goals are of a higher priority.

This problem of affordability is one which will repeatedly come up in any discussion of priorities. Participants at all income levels will say they cannot afford to meet a goal which is claimed to be of a high priority. In this way the fault for not meeting the goal shifts from their personally established priority network to an affordability problem which is beyond their control. In truth, they cannot afford to meet the goal because they choose not to and because other goals are more important. At the extreme, a family paying $180/month rent could move into a $90/month apartment and save the $90 for an "unaffordable" goal. The fact that they choose to pay $180/month means that they place a higher priority on the better apartment than they do on the unmet goal. This is not to say that such a choice was unwise. Your job is simply (although it's not really simple) to get people to see what their priorities are as evidenced by their behavior. They and only they can determine what their priorities should be.

5. Self-analysis. As a group leader, it will be your job to lead participants in an analysis of their network of values, attitudes, goals, and behaviors. Participants should be encouraged to discuss their analysis with the group. In this way, all will be able to see that their problems are not unique.

   Participants should ask themselves the following questions: What values do I hold? Are these values and the attitudes associated with them reflected in goals which are realistic? Are the goals explicit enough to serve as a guide for behavior? Does my money-related behavior help or hinder the achievement of the goals? When there is conflict between values and goals, does my behavior reflect the desired relative priority of the values and goals? What does my behavior tell me about my commitment to various values and goals? Basically, participants should ask themselves if their pattern of money use fits their network of values, attitudes, goals, and priorities and if not, why not.

   A key to your ability to evoke such self-analysis will be to avoid making judgments. Values, etc. are highly personal. Negative comments will result in a reluctance to participate. Furthermore, it is really not our purpose to change values and attitudes. What is really desired is to have people specify and prioritize their values and goals, and then determine whether their behavior is helping or hurting their achievement of their goals. Any judgments will be supplied by the participants themselves as they increase their self-awareness.

B. Money Defined

Money has been defined by economists as a means of exchange, a store of value, and a measure of value. Note that this definition concentrates on the functions of money. Thus anything (a piece of paper, a coin, a block of wood, etc.) which performs these functions can be considered to be money.

This functional definition of money fits our needs because, in truth, money is what money does. Thus, money is a resource; a resource can be used to reach goals and yield satisfactions. However, like any resource it can be used properly or improperly. It is the purpose of these materials to help people use their financial resources in the most efficient way possible in meeting their goals.

A simple analogy may help tie the definition of money as a resource to the discussion of values and goals presented in the previous section. Imagine people using a car to go on a trip to all those places they want to go in their lifetime. Financially we all take such a trip. Our destinations are our financial goals. Which ones we go to first and how often we visit them is determined by our priorities. The map and itinerary we use is analogous to financial plan. Our values and attitudes help us design the itinarary. The car itself is analogous to the spending and saving we do to reach our goals. And money is the fuel which powers our vehicle.

Chart 1

Life Style Components Add Up to → The Total Life Style

↑ CONSISTENCY

VALUES	Education for Children	Family Togetherness	Sociability	Value System
ATTITUDES	1. College provides the best preparation. 2. PTA membership is beneficial.	1. Family vacations are important. 2. Families should eat meals together.	1. Elks Club provides social outlets. 2. Entertaining at home is enjoyable.	Professed Attitudes
GOALS	1. Save $100 per month for college. 2. Attend PTA meetings regularly.	1. A two-week camping trip next summer. 2. Family will eat dinner together each evening.	1. Attend the National Elks Convention. 2. Avoid hosting parties at home.	Goal Network
BEHAVIOR	?	?	?	Total Behavior Subject to Time and Money Constraints

CONSISTENCY ↓

Potential for Conflict and Need for Priorities →

This analogy of a trip is useful because it helps us see some of the problems which can arise during a financial journey. On an auto trip we can run out of gas or be faced with a shortage. We can be hampered by mechanical problems with our car. We can go off the road and have an accident. We can misread or fail to follow a map and end up lost.

Similar problems can occur on a financial journey. We can be faced with limited supplies of money (gas). We can have values and goals which are inconsistent and conflicting, and which confuse our itinerary. We can spend unwisely causing mechanical problems with our vehicle. We can fail to follow our plan, which can get us in financial difficulty (an accident) or delay our reaching our goals (getting lost).

Many people think of money as if it is all that is needed to reach their goals. This attitude is similar to a person who just gets in his car on the East Coast, drives off with no sense of direction but hopes to see all the national parks before reaching the West Coast. He may reach his goal but it will be more by accident than by design and there will be considerable amounts of gas wasted.

C. Uses of Money

The concept that money is a resource which can be used to reach financial goals is a good one. However, that is not the only use to which money is put. Many people use money in other ways to reach nonfinancial goals. Not all of these uses are of a positive nature.

Money is a very powerful tool. History and literature are full of examples of situations where money has driven or been used to drive people to extreme actions. People use money to buy the love and friendship of others. They use it to influence the behavior of others by withholding it. They use it to influence behavior by promising financial rewards if a desired action is taken. Money is used to build self-esteem and impress others. Money is used to alleviate guilt.

In most cases, using money in the ways listed above can be very destructive. The harm that these destructive uses of money can cause falls into four broad categories. The first category involves present financial needs. People often use money in ways which harm their ability to meet current financial goals and needs. The second category involves future financial needs and goals. People can use money in such a way as to prevent their achievement of goals. The third category involves harm to interpersonal relations. This occurs when people use money in ways that alienate others or as a substitute for building a mutually supportive relationship. The fourth category involves uses of money which are destructive to or indicate problems with the development of a healthy personality. This can occur when money is used to hide or help to overcome real or perceived personal problems.

To sum up, when money is used properly it is used to meet present financial needs, prepare for future financial needs, create harmony with other people, and create personal satisfactions. When money is used destructively the result is a reduction in one's ability to meet current financial needs, reduction in one's ability to meet future financial needs, conflict with others, and personal conflicts and barriers to self-satisfaction. Therefore, one can measure how productively or destructively one is using money by measuring one's spending habits by the above criteria.

Perhaps an example may help. John Walker likes to drink both as a means of relaxation and socially. He spends about $60 per month on alcoholic beverages. His drinking is not considered to be a problem since he doesn't abuse his family, miss work, and doesn't get in trouble with the law after drinking. Still, at times he cannot pay his bills. The Walkers have no savings and the family often goes without new clothes and other items that they want and need.

Even if you ignore the health problems inherent in the drinking of $60 worth of alcohol per month, you can see that John Walker is using his money destructively. The Walkers are unable to meet both present and future needs. In spite of these problem areas, money is simply being used as a tool or resource. It is not money itself but the uses of money which causes the Walkers' problems. You should encourage group participants to explore ways in which money is used destructively or non-productively. Then an honest appraisal of values and goals can point out the constructive uses of money.

D. Decision Making and Problem Solving

Establishing goals, prioritizing values and goals, solving financial problems, and making other decisions related to money all require a careful analysis of options and the selection of an optimal solution. In many cases, people make such decisions on the basis of insufficient information, inadequate analysis, or simply habit. Such decisions often lead to unanticipated problems. When such problems occur people also need to know how to solve them.

This section will outline a process which, if followed, can serve to improve decision making and problem solving skills. There are basically five steps: 1) identify the problem or question, 2) list the alternative solutions, 3) evaluate the alternatives, 4) make the decision, 5) implement, evaluate, and adjust the decision. Each step is necessary and should be well thought out. Major decisions should be more carefully thought out than minor ones.

1. Identify the problem or question. At first glance this would appear to be an easy task. However, in many cases, a problem is hidden by symptoms and although the symptoms are taken care of, the basic problem remains. For example, a family may be unable to make their car payment at the end of each month. By cutting back on other expenses they may solve this symptom without addressing the more basic problems that they are carrying too much debt and that they fail to control spending early in the month.

   It is also important to identify any sub-problems or questions that may exist. Often, each component of the problem demands a different solution. By failing to consider all of the complexities of the problem a simplistic and ineffective solution is likely to be selected.

2. List alternative solutions. The key to success in this step is to be sure to include all alternative courses of action. Many people repeatedly make the same mistakes because they fail to consider alternatives. There are many ways to solve a problem, and often the obscure solution is best. At this stage, the goal is simply to list the alternatives, not evaluate them, and quantity is more important than quality.

3. Evaluate the alternatives. After a comprehensive list of alternative solutions is established, the pros and cons of each should be enumerated. Like the listing of alternatives, the enumeration of pros and cons for each alternative should be thorough and as complete as possible. The pros and cons should include statements about each alternative's costs, effectiveness, and ease of implementation. The costs of an alternative should include the opportunity costs which result when choosing the alternative makes it difficult or impossible to do other things.

   After the list of pros and cons of each alternative is developed, each alternative should be evaluated. This evaluation will be based on the pros and cons of the alternative and the values, attitudes and goals held by those making the evaluation. The evaluations will serve to allow the ranking of the various alternatives.

4. Make the decision. Making decisions is rarely easy. In most cases there is no one "right" choice, but several which have both positive and negative elements. By using the decision making steps we have been describing, the decision maker(s) can choose the alternative which ranks highest on the basis of the evaluations. This choice will not be easy but it will be easier than if no prior analysis had been done. It will also result in a decision which is more likely to yield beneficial results.

5. Implement, evaluate, and adjust the decision. When a decision has been made, the decision making/problem solving process does not stop. The decision must be implemented. This means that action must be taken to put the decision into effect. Usually this entails simply doing what the decision calls for. Sometimes, however, implementation requires more extensive planning and research efforts.

   As a decision is implemented it needs to be evaluated. At each step of implementation, this evaluation will help determine if the proper decision was made and if it is helping solve the problem. When difficulties do arise, adjustments will need to be made. By evaluating while implementing, unforeseen problems can be recognized and adjustments can be made before they become severe and unmanageable.

   The need for implementation, evaluation and adjustment implies that decision making is a continuous process. That is, in fact, the case. Decision makers must understand that they cannot make a decision, assume the problem has been solved, and forget it. They must take the responsibility for ensuring that the decision is effectively implemented, adjusted where necessary, and accept the responsibility for the results of the decision they made. By taking and accepting such responsibility people go a long way toward being their own masters.

This last step will greatly aid future decision making. This step uses hindsight to determine if the decision reached was adequate. If the decision is evaluated, future decisions of a similar nature will be easier to make. By evaluating a decision, people can avoid a tendency to forget a problem area after a solution has been implemented. This tendency often leads to a recurrence and a pattern in which one crisis follows another.

6. Summary. The decision making process outlined above is one of many which are available in the literature. Any process will be successful if the decision maker follows a few simple rules. Keep an open mind before and after a decision is reached. Do not be afraid to consider novel alternatives. Be objective when evaluating alternatives. Don't be hasty.

The depth of analysis used in making a decision will be a prime factor influencing the correctness of the decision and will be proportional to the importance of the problem. Minor decisions may require less analysis than will major decisions, but it is probably better to analyze too much than too little.

Suggested Program Plan

Section 1. The Internal Money World - The Individual, The Family, and Money

Session 1

Materials Needed: Overhead projector and screen for showing transparencies of the outlines, lists of objectives and Chart 1. Or, have copies of each of the above available to pass out. Paper and pencils for participants. Chalkboard and chalk. 3 x 5 cards.

INTRODUCTION*

Notes on Activities	Time	Activity
The introduction of any program can be a key to its success. Make the participants feel welcome and point out that the goal of the program is to help them become more effective consumers.	2	Begin by introducing yourself and giving a little of your background. "Good evening, ladies and gentlemen. My name is ______ and I will be your group leader for this series of programs designed to help you become more effective consumers." Then tell a little about your background and how it is that you came to your role as group leader.
Some people will be a bit uncomfortable introducing themselves. Give some reinforcement to each by making some comment before calling on the next person. A simple "Thank you, Bill" will suffice but you may want to make a comment about their stated objectives which led them to attend.	4	Next have the participants introduce themselves and briefly state what they hope to get out of the sessions. "Perhaps we could begin by introducing ourselves. I have told you a little about myself, so let's hear from each of you. Just tell us your name and what you hope to learn or gain by attending and participating in this series of programs." *NOTE: The introduction above may not be necessary if this session is presented during the same meeting as the motivational session.
Read the Introduction to the entire Learning Package and the Background Material and Program Plan for Section 1. Be familiar with the outlines and objectives of Section 1. You may want to pass out copies of the Section 1 objectives and outlines or show them as transparencies on the overhead projector.	4	Briefly state in your own words your objectives as group leader. Then proceed to go over the objectives and outline for Section 1. "Well, you all have good reasons for wanting to be here and we certainly intend to help you learn what you desire to learn. As for myself, there are several objectives I have as group leader." State any personal objectives you may have and then move to the objectives given in the program handbook. Next go over the outline of Section 1.

Notes on Activities	Time	Activity
		"To meet the objectives you have just discussed, we have scheduled several learning activities. A rough schedule of these activities is provided by the following outline." Go over the outline with the group.
		DEFINING VALUES, ATTITUDES AND GOALS
By asking people to write something down you will ensure that those who are reluctant to contribute will have something to read if necessary. Pass out 3 x 5 cards.	1	Explain that before any analysis of and change in financial and consumer behavior can be undertaken, people must understand their own values, attitudes and goals. Thus, the terms values, attitudes and goals must be understood. "Because spending is such a personal matter, any attempt to analyze and change buying behavior must start with some knowledge of the person involved. Of first concern is a person's values, attitudes and goals, but before we begin to discuss these things, we must define them."
Don't allow too much time for this. They should write down their first impulse, because they wouldn't have much time during a fire either.	5	Burning house exercise. "To begin, I want you to envision a situation in which your house is burning and you only have time to save yourself and what you can carry out when you leave. On the card that was just passed out write down what it is that you would carry out with you. Remember you cannot go back into the house. All you can save is what you can carry out with you." Participants write what they would save.
Throughout these and other discussions there may be times when participants criticize what others have said. It would be a good idea to caution the group to avoid criticism. If it does occur point out that your goal is not to change people but to help them understand themselves.		Working clockwise or counter-clockwise, have everyone in the room tell what they would save. Then discuss how their responses reflect what they value. "Now that we know what each of you would save in a fire, that tells us something about your values."

Notes on Activities	Time	Activity
It is not necessary that the definitions arrived at are exactly the same as in the Background Material. Make sure, however, that the group understands that values are the basics upon which attitudes and goals are built.	2	Definition of values. "What we have been talking about so far are values. Based on our discussion, I think we can now define values." (Write on board) "Values are relatively permanent, very basic beliefs, standards and moral precepts which state that which a person regards as desirable, worthy or right." "Values do not change. They serve as a guide for living. What you said you would take out of the fire was not a value. It was a reflection of your values. Thus if you value beauty, tradition and wealth you would tend to carry the family jewels out of the fire."
	2	"Now that we have a definition for values, how could we define attitudes?" Quickly discuss a definition for attitudes and sum up the discussion by writing a definition for attitudes on the board.
	2	Do the same for goals.
	2	Then ask if there are any questions and if the definitions are clear. A good way to do this is to ask people to explain how values, attitudes, and goals are different from each other.

DETERMINING PERSONAL VALUES, ATTITUDES AND GOALS

Notes on Activities	Time	Activities
Pass out blank copies of Chart 1a.	1	Ask everyone to spend the next few minutes thinking about their own values, attitudes and goals and to write 3 or 4 of each on Activity Chart 1a. "Now that we have defined values, attitudes and goals, we can begin to examine our own. Our next exercise will be to write down 3 or 4 of our values, then for each write down an attitude and a goal which relates to each of the values. After you are finished, we will discuss what was written."

Notes on Activities	Time	Activity
Move around the group, providing individual help where needed but limit your help to further explanation of the definitions. Let the participants determine their own values, etc.	6	Individual writing of values, attitudes and goals.
Be certain to re-examine the background material and know what inconsistencies and conflicts are and where they occur on Chart 1.	3	Rather than discussing what the participants have written, discuss with them the difficulties they had in doing the task. Then discuss how much harder it is to set up a complete value system which has consistency and is free of conflicting values, attitudes and goals. Such a value system would also have a network of priorities which apply when conflicts do exist. "Did any of you have trouble with this exercise?" (Most will. Allow some to give their comments.) "Some of your problems stem from the fact that thinking about values, etc. is difficult and that it is hard to put feelings into words. There are two other problems, however. The first is achieving consistency and the second has to do with conflicts. "Consistency means that the attitudes and goals which are associated with a value are compatible with the value and each other. For example, a person may claim to put a high value on his child's education. He may also have the attitude that doing homework is unnecessary. Thus his values and attitudes related to education are not consistent. "Conflict often occurs when a person has two values or two goals which cannot both be satisfied because achieving one prevents the achievement of another. In most instances, these conflicts arise because there is not enough money available to do both. Often, however, more money would not solve the problem. For example, a person who values family togetherness and success may experience conflicts if success requires long hours on the job."

Notes on Activities	Time	Activity
Consistency refers to the vertical consistency between values, attitudes and goals. Conflict and priorities have to do with horizontal differences between components. While only three life-style components are on the chart, many more would make up the total life style.	6	Pass out copies of Chart 1 or show it as a transparency. Explain the chart in terms of its consistency and the potential for conflict and the need for priorities which is evidenced by the imaginary family's values, attitudes and goals. "As you can see in Chart 1, our imaginary family has achieved consistency for those values, etc. related to education and family togetherness. They have some problem of inconsistency where the sociability values are concerned. They also have problems in terms of conflicts between values, between attitudes, and between goals." Go over Chart 1 in some detail and show where there is consistency and where there is conflict.
Pass out blank copies of Activity Chart 1b. It may also be a good idea to fill out a chart on yourself to use as an example.	17	Participants will set up a chart similar to Chart 1 using their own values, etc. They should specify one value, two attitudes and two goals in each of the following life style areas: food, housing, recreation and transportation. "You have already written down some of your values, etc. On Chart 1b you should develop a network of values, attitudes and goals which is both consistent and free of conflicts. "First, write one value that you hold which relates to each of the following areas of your life: food, housing, recreation, and transportation. Second, for each value, write two attitudes and two goals which are consistent with each value. Don't worry too much about conflicts. We will discuss those during the next session."

SUMMARY AND CONCLUSION

Notes on Activities	Time	Activity
A summary should be given at the end of each session to help the participants organize in their minds what has occurred. A quick preview of the next session	3	Interrupt the participants' work and review what has occurred in this session. Also give a quick preview of what is to take place during the next session. "Let us stop now and review what we have done. In this session we stressed the need for an understanding of our values,

Notes on Activities	Time	Activity
will start participants thinking about what will occur. Either collect Chart 1b or make sure participants bring it with them next time. They may need to take it home in order to complete the assignment.		attitudes and goals as a first step towards improving our handling of financial matters. We defined values, attitudes and goals. We began our efforts to determine and analyze our values, etc. During the next session, we will begin to look at our behaviors and whether they reflect what we claim are our values, attitudes and goals."

Chart 1

Life Style Components Add Up to → The Total Life Style

CONSISTENCY ↓

VALUES	Education for Children	Family Togetherness	Sociability	Value System
ATTITUDES	1. College provides the best preparation. 2. PTA membership is beneficial.	1. Family vacations are important. 2. Families should eat meals together.	1. Elks Club provides social outlets. 2. Entertaining at home is enjoyable.	Professed Attitudes
GOALS	1. Save $100 per month for college. 2. Attend PTA meetings regularly.	1. A two-week camping trip next summer. 2. Family will eat dinner together each evening.	1. Attend the National Elks Convention. 2. Avoid hosting parties at home.	Goal Network
BEHAVIOR	?	?	?	Total Behavior Subject to Time and Money Constraints

CONSISTENCY ↓

Potential for Conflict and Need for Priorities →

ACTIVITY CHART 1a

VALUES	Example: Financial Security		
ATTITUDES			
GOALS			

ACTIVITY CHART 1b

	FOOD	HOUSING	RECREATION	TRANSPORTATION
VALUES				
ATTITUDES				
GOALS				

Suggested Program Plan

Section 1. The Internal Money World - The Individual, The Family, and Money

Session 2

Materials Needed: Chalk and a chalkboard. Extra copies of last session's handouts.

INTRODUCTION

Notes on Activities	Time	Activity
Every session should begin with a short review of the previous session's activities and a preview of what will occur in the current session.	2	"During the previous session we discussed values, attitudes, and goals. We wanted to begin thinking about our own values, etc. with an eye towards achieving consistency and minimizing conflicts. You were asked to fill out a little chart which would help you specify your values, attitudes and goals related to food, housing, recreation and transportation. "Tonight we are going to explore more deeply our values, attitudes, and goals. We are going to look at how behavior fits into the picture. We are also going to look at priorities and how they can be used to help achieve as many important goals as possible."

DISCUSSION OF ACTIVITY CHART 1b

Notes on Activities	Time	Activity
Whenever an assignment is given be sure to go over it as soon as possible during the next meeting. Otherwise participants will question the value of the assignments and will soon stop completing them.	1	Discuss these charts in terms of difficulties they had, consistency, and conflicts. "Before we begin our discussion of behavior, let's take a few moments to discuss the charts you have completed."
	3	"First, did any of you have problems completing the chart?" Discuss problems.
In every group there are two or three people who are always willing to participate. It is tempting to rely on them.	4	"Let's talk specifically about the consistency problem. For each of the areas of food, housing, recreation, and transportation you were to come up with a consistent network of values, attitudes,

Notes on Activities	Time	Activity
Do not, however, let them dominate discussion. Call on others as well, and stress how important it is that everyone participates.		and goals. Would someone like to share what they wrote by reading their network related to food and show how it is consistent?" Two or three examples should be sufficient. "Is everybody clear on what is meant by consistency?" If not, explain it briefly once more.
Encourage group members to comment on each other's contribution to the discussion, but avoid criticism.	4	"Now let's take a look at some conflicts. Who thinks they have some personal conflicts among their four sets of goals?" Discuss two or three of the participants' conflicts. "We are going to talk more about conflicts later, so keep them in mind."

ANALYZING BEHAVIORS

Notes on Activities	Time	Activity
Pass out copies of Activity Chart 2 or show it as a transparency.	1	"Now let's turn our attention to the part of the chart that hasn't been filled out--behaviors. Some of you probably had some difficulty writing down your values, attitudes and goals. There is, however, another way of determining our values, etc. We can look at how we behave. In fact, it can be argued that behavior is the most accurate indicator of people's values, attitudes and goals."
	6	"As an example of how behavior can be a better indicator of values, attitudes and goals we have Chart 2, which shows the budget of the Carr family. The chart also shows what the Carrs express to be their values. What can we say about the Carrs' values when we look only at their behaviors as indicated by their spending record? Are their values as indicated by their spending behavior different from their expressed values?" Discuss.
Have participants write the word behavior in the bottom left section of Chart 1b. That row will be used for writing behaviors associated with food, housing, recreation, and transportation.		"Let's turn our attention away from the Carrs and look at our own behaviors. On Chart 1b there is a section for writing in your behaviors related to food, housing, recreation, and transportation. "Take a few minutes to think about and write down some of your behaviors in the spaces provided on the chart."

Notes on Activities	Time	Activity
	5	Individual completion of the Behavior section of Chart 1b.
Any discussion of inconsistencies and conflicts which arise out of behavior will be very sensitive. Get responses only from those who have been willing in past discussions to discuss personal matters.	[illegible]	Discuss the increase in the problems of consistency and conflicts which result when behaviors are added to the chart. "The biggest benefit of adding behaviors to the chart is that they help us see where our behaviors are inconsistent with our professed values and goals. Who can now see where some of their behaviors don't really fit their values and goals?"
	4	Discuss conflicts next. "When behaviors are added we can also see increased problems with conflicts. Who had these types of problems?" Discuss.
	2	"Adding behaviors to the discussion of values, attitudes and goals provides a more complete picture of the personal situation. When we talk about or write down our values, attitudes and goals it is easy to be unrealistic and think only of the ideal network. Behaviors bring us to a more realistic point of view. We begin to question the strength of our values and goals. For example, if we say we have a goal of buying a house, but fail to save for it, it may be a matter of how important that goal is. Even if we insist that the goal of buying a house is important, it is probably true that the other things we are spending our money on are more demanding. This brings us to our next topic--priorities."

DETERMINING PRIORITIES

Notes on Activities	Time	Activity
	5	"When people take the time to consider their values, attitudes, goals and behaviors they usually realize that they can't do everything they wish. When financial matters are involved this is especially true because there always seem to be limits on how much money we

Notes on Activities	Time	Activity
		have to spend. In order to stay within these limits, we establish priorities as to what values and goals are most important. Let's take a few minutes to talk about priorities. "What can we say about the Carrs' priorities as indicated on Chart 2?"
	6	"Now let's turn our attention to our priorities. Who would like to start this discussion by telling us two of their values and goals; one which has a high priority and one which has a low priority?" Get comments from two or three or more people.
	1	"As we can see from your responses, we can all come up with some high and low priority values and goals. Now let us again consider the problem of behavior. The question is now a simple one. Does our behavior reflect our priorities? In spite of the question's simplicity, the answer is very important. This is because one of the main keys to financial stability is a well-thought-out set of priorities which is truly reflected in behavior."
You may need to cut this discussion short.	4	"Can anyone think of examples of situations in which people behave in ways that do not reflect their priorities?" Discuss.
	1	"Let's take a few minutes to summarize what we have been talking about. Everybody has values, attitudes, goals, and priorities which they use to manage their life. If you ask them what they are, most people with a little thought can tell you. But talking about these things is not enough. They must be reflected in behavior if they are to be effective in helping us control our lives and our finances."
	4	"This brings us to an interesting question. Are our values, attitudes, goals, and priorities what we say they are? Or, are our true values, attitudes, goals,

Notes on Activities	Time	Activity
		and priorities those which are reflected in our behavior?" Ask for answers from participants.

SUMMARY AND CONCLUSION

Notes on Activities	Time	Activity
	3	"Let me stop this discussion and say that the answer to the question is that it is our behavior that really matters. People whose behavior is consistent with their values, attitudes, goals and priorities tend to be satisfied with the way they handle their financial affairs. People whose behavior is not consistent with their values, etc. tend to be dissatisfied. People who are not satisfied have two options: they can accept their behavior as reflecting their true values, attitudes, goals and priorities and live with the consequences; or, they can change their behavior. "When people are able to control their financial behavior they have a consistent network of values, attitudes, goals, priorities, and behaviors. They have resolved conflicts through the use of priorities. And they control their finances rather than have their finances control them. They still may not be able to reach all their goals or buy everything they might desire. But they will be organized and doing their best financially. That is a lot more than many people are doing."

ACTIVITY CHART 2

Monthly Spending Record for the Fred and Frances Carr Family

Net Income $1,000/month

	Expenses	% of Income
Housing	$200	20%
Food	200	20%
Transportation	400	40%
Clothing	60	6%
Medical	40	4%
Tobacco and Alcohol	60	6%
Allowances	30	3%
Entertainment	10	1%
Savings	0	0
Church	0	0

Expressed Values

Family Togetherness
- vacations, trips, etc.

Education
- putting the kids through college

Religion

Health and Physical Fitness

Neat Appearance

Suggested Program Plan

Section 1. The Internal Money World - The Individual, The Family, and Money

Session 3

Materials Needed: Chalkboard and chalk, and sufficient copies of the money management case study for Section 2.

INTRODUCTION

Notes on Activities	Time	Activity
Although a review is always necessary, it is especially important at the beginning of this session because you will be leaving the topic of values, etc. and moving on to money and decision making. Questioning is a good review technique because it serves as a means of review and a means of determining how well the group understands what has been covered. Whenever the group has trouble answering a review question, it is an indication that the ideas covered were not fully understood and that more discussion is necessary.	5	Review. "Tonight (today) we are going to talk about money problems. But before we do, let's briefly review what we have covered in the last two sessions. "First, who can define values?" "Who can define an attitude?" "Who can define a goal?" "What do we mean by consistency and conflict and why are they important?" "How does behavior fit into all of what we have just been talking about?" Taking them one at a time, ask the group each of the five questions to determine their understanding.
Introductions can be short and simple and still fulfill the necessary function of letting the group know what will be occurring during the session.	1	Introduction. "Thus far we have talked about money only indirectly. During this session we will cover three important topics. 1. We will define money. 2. We will spend some time talking about the destructive ways in which people sometimes use money. 3. Finally, we will develop a series of procedures which can be used to solve some money-related problems."

MONEY DEFINED

Notes on Activities	Time	Activity
Use the board, if necessary. Be careful that participants do not confuse the term value as used to define money with values as discussed earlier. See the background material on the analogy of money to gasoline.	5	Begin by stating the ideas that economists use when defining money. "Let us begin by stating a definition of money which is often found in books on economics. Money is said to serve as a means of exchange, a store of value, and a measure of value. What do these three descriptive terms have in common?" Hopefully someone will point out that each is a use of money. Then continue by pointing out that the form money takes is not as important as what money does. In order to make this point more emphatic, use the analogy of money to gasoline that is provided in the background material. Discuss the analogy with the group making sure to show the importance of financial planning, goals and behavior.

DESTRUCTIVE USES OF MONEY

Notes on Activities	Time	Activity
As examples are given, you will write them on the board. Separate the board into four sections corresponding to the four categories of destructive use of money (see background material), but wait to write the category headings until all examples are given. As group members give examples, write them in the section set aside for the category to which the example belongs. When all examples have been given, write the category heading above each section.	2	Listing destructive uses of money. "In a similar way that many people use their car in a destructive way, many people use money destructively. And just as in the use of a car, the destruction is usually done through carelessness rather than any intention to be destructive. Furthermore, just like a car, the destructive use of money can harm others as well as ourselves. Let's start our discussion by coming up with a list of destructive uses of money. Then we will discuss why people use money destructively, or harmfully, or non-productively, and how they can avoid such problems."
	5	"Who can start us off by coming up with an example of a way in which money is used destructively?" Obtain examples from the group. If the group has trouble coming up with examples you might start them out with the John Walker example in the background materials.

Notes on Activities	Time	Activity
1. Harmful to present needs. 2. Harmful to future needs. 3. Harmful to interpersonal relationships. 4. Harmful to personal development.		"As you can see, I have separated your examples into four groups. These groupings correspond to four kinds of harm such destructive uses of money can cause." Explain the four categories.
This discussion and the one which follows should be "freewheeling." Keep the group on the subject but encourage creative responses.	3	Discussion as to why people use money destructively. "Let's take each of these four categories one at a time and see if we can discover why people engage in the destructive uses of money that are listed on the board. First of all, what are some of the reasons why people might use money in ways which are harmful to their ability to meet current financial needs?"
	2-3 each	Then discuss each of the other three categories in terms of why people use money in destructive or non-productive ways.
	2	Discussion as to how such problems can be avoided and/or corrected. "I think we have a pretty good idea of why people use money destructively. Now let's take a look at what people can do to avoid such problems and what they can do to correct problems which already exist. Who would like to start off by suggesting a way in which someone can avoid or correct a use of money which would harm their ability to meet current needs?"
	2 each	Then discuss ways of correcting and avoiding the other three types of problems resulting from destructive uses of money.

DECISION MAKING AND PROBLEM SOLVING

Notes on Activities	Time	Activity
Use the information provided in the background material to fill in gaps	2	Outlining a decision making process. "I think we can see that one of the main reasons people fall into habits of using

Notes on Activities	Time	Activity
where group discussion fails to bring out important points. You will need to be very familiar with the background material because the group discussion of this topic may not yield sufficient information. Step 1: Define the problem. As the decision making steps are determined, write them on the board for emphasis.		money destructively is that they fail to fully consider the effects of their financial actions. They often do not take the time to fully explore the financial decisions that they make. Financial problems can be avoided through the application of some sound decision making procedures. "The procedures we will discuss are not the only ones that can be used but they are, in my estimation, more than sufficient to do the job. "We can focus our discussion on the plight of a family who is always broke at the end of the month and cannot make rent payments. What would be the first step in any decision making/problem solving effort they would undertake?" Hopefully someone will say, "Identify the problem." If not, do it yourself and discuss the importance of accurately defining the real problem rather than its symptoms.
Step 2: List alternatives or solutions.	2	"Once our family has accurately defined their problem, what should they do next?" Again, try to get the proper response from the group, then discuss the importance of listing even obscure solutions and the other important considerations when listing alternatives.
Step 3: Evaluate alternatives. Step 4: Make the decision. Step 5: Implement, evaluate, and adjust the decision.	2 each	Repeat this process for the remainder of the decision making steps: evaluating alternatives, making the decision, and evaluating the decision.
	2	"How detailed should decision making/problem solving be?" "Some of you may be thinking that it would be foolish to go through an involved decision making process whenever a financial decision needs to be made. This is a valid concern. When the negative consequences of making the wrong decision are small, or when the decision is one that has been made often in the past with few problems, the time and effort put

Notes on Activities	Time	Activity
		into making a decision can be reduced. Each step should still be applied but without going into great detail. However, most people get themselves into difficulty not because they spent too much time and effort making a decision but because they spent too little."

SUMMARY AND PREVIEW

Notes on Activities	Time	Activity
This summary and review may need to be conducted entirely by the group leader in the interest of saving time.	3	Summary of the first three sessions. "We have now completed the first section of our consumer education program. We have explored the internal money world in terms of our values, attitudes, goals and behavior. We reviewed these topics at the beginning of this session. "During this session, we discussed a definition of money. Who would like to review that for us? "Also during this session, we discussed some destructive uses of money, why people use money destructively and how such problems can be avoided or corrected. Lastly, we developed a decision making/problem solving procedure. Who would like to review the decision making steps for us?"
Pass out copies of the Case Study from Section 2. This preview will only be necessary for those groups who will be continuing on to Section 2: Effective Money Management.	5	Preview of Section 2. "Tonight (today) we talked about destructive uses of money. In the next series of sessions we are going to talk about using money constructively. Specifically, we are going to cover money management and financial planning. As part of the exercises for the next series of sessions you will be studying the financial affairs of a hypothetical family and you will be doing exercises designed to help you improve how you handle your own finances. For the next time, I want you to do three things. First, read the case study which was just passed out." Then "walk the group through" the case study quickly. Be sure to point out the major focal points of the case study.

Notes on Activities	Time	Activity
		1. The Jones' slide into financial difficulty. 2. The steps in developing a financial plan. 3. Net worth. 4. The Jones' past spending patterns (Chart 2b). 5. Recordkeeping. "Second, use Chart 2 to set up a revised spending plan which would enable Mr. and Mrs. Jones to get out of debt and set their financial affairs in order.
If participants ask which financial records they will need, mention such things as checkbooks, pay stubs, receipts, and tax records. These will be discussed more carefully during future sessions.		"Third, in about two weeks you will be setting up your own financial plan similar to Charts 1 and 2 in the case study. To do this you will need to start getting some of your financial records together. I want to assure you at this time that every effort will be made to keep your financial affairs private if you wish them to remain private. However, I would encourage you to share as much information as possible with the group. By sharing we can have better group discussions and will be more able to help each other."

OBJECTIVES:

SECTION 2. EFFECTIVE MONEY MANAGEMENT

Major Objective:

To provide consumers with the motivation, knowledge and techniques they need to establish and maintain an effective money management system.

Specific Objectives:

To define money management.

To describe the purpose of money management.

To explore the costs and benefits of money management.

To have participants explore and analyze their financial goals.

To show consumers how to determine their net worth.

To have consumers establish an initial one-month financial plan.

To describe various record keeping systems.

Learner Competencies:

Define money management.

Describe the purposes of money management.

Determine if the benefits of money management are worth its costs.

Determine several of their short, intermediate and long term financial goals.

Know how to determine their net worth.

Develop a one-month, balanced financial plan for an imaginary family and for themselves.

Decide upon a record keeping system which they can use to keep their financial plan up to date.

PROGRAM OUTLINE

Section 2. Effective Money Management

Sessions 1, 2 and 3.

- A. The definition and purpose of money management
- B. The costs and benefits of money management
- C. Determining financial goals
  - 1. For an imaginary family (the Joneses)
  - 2. For participants
- D. Determining net worth
  - 1. For the Joneses
  - 2. For participants
- E. Developing a financial plan
  - 1. Determine the amounts to be saved in order to meet financial goals
  - 2. Determine net worth
  - 3. Determine average monthly take home pay
  - 4. Determine spending categories including savings for goals
  - 5. Determine the average amount spent per month for each spending category
  - 6. Adjust the amounts to be spent on each category in such a way that the total is equal to monthly take home pay
  - 7. Set up and use a record keeping system
  - 8. Evaluate the results at the end of the month to determine in which categories spending needs to be increased or decreased
  - 9. Establish a new plan for the next month
- F. Record keeping systems

Section 2. Effective Money Management

A. What is Money Management?

Money Management means developing and using a plan for spending and saving based on family income in order to help individuals and families maximize their resources and achieve their financial goals. There are three key points in this definition. First, there is the use of a plan for spending and saving, this helps control the use of money and to let one know where money is going. Second, there will be a maximizing of resources. Through use of the plan, a family will make better use of their income. And third, the family will be better able to achieve their financial goals if the plan is followed.

B. The Purposes of Money Management

1. To use money in the most efficient and effective manner. Money is a limited resource which requires a plan for spending if it is to be spent wisely and efficiently. Since family needs, wants, values, and goals vary, there is no standardized plan for spending. It is each family's responsibility to develop a plan that fits their needs, wants, values, and goals. By developing such a plan the family or household can actually improve their level of living without an increase in income.

2. To achieve financial goals. The purpose of money management is to help individuals and families achieve their financial goals. By making and using a systematic plan developed especially for their household, a family is able to plan for the achievement of their financial goals, thereby improving their level of living.

3. To indicate problem areas. A financial plan will indicate the areas of consumption that are causing financial problems. If the household has allocated $400 per year to clothe a family of four and they are spending $800 per year, they need to determine if the clothing expense was a needed expense that had to be made or an expense that could have been reduced. If the $800 was necessary for clothing expenditures, then the family needs to increase the allocated amount for clothing by $400 and reduce another area of spending by the same amount. However, families can only reduce the expense or offer other alternatives if they are aware of the problem.

4. To minimize the negative impact of unplanned expenses. In today's society, families on an average save only 6-7 percent of their income on a regular basis and there are many families with no savings. Families need to include savings in their financial plan to have a consistent and gradual increase in savings. Savings help to both achieve financial goals as well as provide money for unexpected expenses or emergencies. Most families are not prepared for emergencies and unexpected expenses caused by unemployment, illness, or replacement of a major appliance. If a family has not established some form of savings, they can become financially overburdened. Particularly if an unforseen problem should occur. But, if they have saved for an emergency or problem, they will be able to maintain their financial stability.

5. Costs and benefits. Each family needs to decide whether money management is necessary or important to them. The best method to determine if money management is necessary is to list the costs and the benefits of money management. The major cost of managing money is the time spent to develop a financial plan, to check estimated expenses against actual spending to determine if they are following the plan, and to make adjustments where needed. But if the family considers the benefits of actually achieving their goals, they will see that the price is small in comparison.

C. Financial Goals

Financial goals are statements expressing where a family would like to be financially in 1, 5, or 20 years. Every individual or family sets financial goals that they wish to accomplish within their lifetime, but very frequently these goals are not very specific. To allow for effective financial planning, a family needs to specify their goals and classify them as to whether they are short, intermediate or long term goals. When making the list of short, intermediate, and long term goals, the family must set their priorities on which items are the most important and list them accordingly. They should also estimate the ultimate cost of reaching each goal and the amount which should be saved each month to meet the cost.

1. Short term goals are those immediate wants and needs the family plans to obtain within one year. Short term goals for a young couple might include: obtaining adequate food and housing, purchasing new living room furniture and going on a vacation. These are all expenses that require financial planning if the family is not to become overburdened by debt.

2. Intermediate term goals are those wants and needs the family plans to obtain within the next two to five years. The same young couple's list of medium term goals might include: starting a family, purchasing a new car and establishing a life insurance program.

3. Long term goals are those wants and needs the family plans to obtain after five years. If you were to look at the same couple's list of long term goals, it might include purchasing a home, planning for their children's educations, purchasing vacation land and saving for their retirement.

   Saving for certain long term goals may not be implemented until the short and medium term goals are met or until the family's income increases. But, the most important of the long term goals need to be included in the present financial plan. Families need to remember that short term goals should be met first, especially if they are needed. But the family must also plan and save for the long term goals as soon as possible, if they are to be achieved.

4. Goals and the family life cycle. A family's financial plan will be affected by the family life cycle because a family's resources, needs and wants change as they pass through the life cycle. The first stage of the life cycle is from the time the couple marries until they have children. It is during this stage that the wife usually works and they have few financial responsibilities so that

the total income for the family will be more than adequate to support them. But it is also during this stage that the family develops a certain life style and spending patterns to which they become accustomed. Thus goal setting and money management are very important in this stage if the family is to be able to cope with the financial burdens during the later stages.

With effective money management, the young couple will realize that their income is more than adequate for two people and that they possibly could place one of the paychecks (or most of it) into savings and live on the other one. Thus, they would be saving to reach goals and prepare for different financial conditions. This will increase the couple's ability to achieve their long term goals in a shorter time period.

The second stage is the child bearing/rearing stage. During this period, financial expenses are heavy. Also, family income sometimes decreases. The wife may remain at home with the children instead of continuing in the labor force and this cuts the family income while their expenses for food, clothing, health care and education increase. But in recent years mothers with preschool children have continued to work or have gone back to work. Many work out of desire, but a great number also work out of need. A working mother may be the only alternative a family has if they hope to achieve their financial goals.

During the child bearing/rearing stage, the family's expenses also increase because many families purchase a home, or move to a larger apartment. The last part of the child rearing stage puts a heavy financial burden on the family because teenagers have more needs and spend more of the family's money. Their expenditures for clothing, transportation, entertainment and education are large and, if not anticipated in the financial plan, can be a heavy financial burden.

The last stage, or "empty nest" stage, is when the children have left their parent's home. The financial responsibilities on the couple now become lighter and during this period the couple should continue planning and saving for retirement. Many couples still have substantial expenditures during this stage since they continue to financially assist their children and perhaps grandchildren.

5. How much money should a family save to achieve their goals? Depending on the family's goals, the amount of money a family saves will vary, but it must be realistic in proportion to their income. If a family tries to save too large a portion of their income and cannot meet their current needs, the proportion saved will need to be lowered. But if the family is contributing only a small portion of their income (or nothing) toward future goals, obviously the goals will not be achieved or surely they will be postponed.

D. Net Worth

To determine where the family stands financially at any given time, their net worth needs to be measured. Determining net worth is an early step in developing a financial plan. To measure net worth, the family needs to subtract its liabilities (what is owed) from its assets (what is owned). This process enables the family to determine its present financial position. Then from time to time (yearly is best), they can re-figure their net worth to determine how much progress they are making financially. See Chart 1 for a suggested form for computing net worth.

Most young families and individuals have a low net worth because of high liabilities for mortgages, furniture, appliances, etc. But over the years, if a good financial plan is followed, their net worth will increase as they pay off their debts and accumulate assets.

E. The Financial Planning System

After a family has determined their long and short term goals and their net worth, they need to set up a plan to control their current spending. The plan will help ensure that their use of money will lead to the achievement of their goals and an increase in their net worth.

The plan, if followed, will enable them to save part of their income to achieve their predetermined goals. For example, if the purchase of a home is a long term goal for a young couple, they need to plan and save for the down payment for this large investment some years before the actual purchase. It is much easier for a family to achieve this goal if every month a certain percentage of their income is saved for the down payment on a house. If they save regularly, the down payment on the home will be possible within a few years. But if the couple has not included saving for a home in their financial plan and they have no savings available for the down payment for the home purchase, such a goal will be an impossibility for them.

1. What is a financial plan? Many people simply call their financial plan a budget. The problem with the term "budget" is that many people have negative attitudes towards it. They think of a budget as hard to set up, difficult to stay within, restrictive, and futile. These materials will avoid the word budget in order to help minimize negative feelings because they need not be true.

   A financial plan is a detailed outline of income, planned expenditures, and savings which is used as a guide for spending. It should reflect past spending patterns, financial goals, and serve as a control over present and future spending. It must be tailored to the individual family or household's needs. And it should be flexible; not a burdensome straightjacket.

2. Developing a financial plan.

   a. Financial plans are established for specific periods of time such as a week, a month or a year. The period chosen will depend on the household situation, but most people establish weekly or monthly time periods in accordance with how often they get paid. Whatever time period is chosen, the expense categories for the period must include provisions for those expenses that arise monthly, quarterly, and yearly. During each period some amount of money should be set aside so that when these irregular expenses come due, there will be sufficient funds available to make the payment.

   b. The first step in setting up a financial plan is the determination of the income for the period for which the plan applies. For many families, determining present income is quite simple. If there is one wage-earner on salary at $1200 per month with

Money Management Chart 1

SUGGESTED FORM FOR DETERMINING NET WORTH

Assets
Cash on hand $______
Cash on deposit in checking account ______
Savings account ______
Market value of listed stocks ______
Market value of listed bonds ______
Cash surrender value of life insurance policies ______
Market value of house ______
Market value of furniture and furnishings ______
Resale value of automobile(s) ______
Cash value of annuity contract ______
Cash value of retirement fund ______
Bid prices on unlisted stocks ______
Bid prices on unlisted bonds ______
Market value of land owned ______
Market value of buildings owned ______
Money loaned on mortgage ______
Accounts receivable ______
Other assets ______
Total Assets ______

Liabilities
Mortgage on house ______
Loan from bank ______
Loan on life insurance ______
Store credit cards ______
Installment debt ______
Bank credit cards ______
Other liabilities ______
Total Liabilities ______

Net Worth December 31, 19__ ______

$200 per month deducted for taxes and Social Security, the client's net income is $1000 per month, no more, no less.

For hourly wage earners with occasional overtime, determining income is not quite so easy. For best results estimate low. If the overtime is rare, it's best not to count it at all and consider it as an occasional "gift."

For seasonal workers, such as those in the construction trades, estimating income can be very difficult. Since annual income depends somewhat on the weather and the economy, the best way to estimate is by using annual tax returns. Figure the annual net pay, add the amount received from Unemployment Compensation during unemployed times, and divide by twelve for an estimate of monthly income.

A hard group of people to figure income for are sales persons who travel. Although their earnings can be high, their expenses frequently drain a substantial portion of their income. You will hear them say "not to count the expenses--they're deductible." This may be true for tax purposes, but you aren't the tax collector. That expense money, unless it is reimbursed by the employer, is not take-home pay and it is not available for family living expenses.

Income is usually figured on a monthly basis. For persons who are paid on a weekly or bi-weekly basis, monthly income can be figured as 4 1/3 times the weekly rates. However, it is better to estimate income low and use the four-week income as your baseline. This leaves the extra four weekly or two bi-weekly paychecks as a "bonus" that can be set aside for savings, used to meet emergency expenses, or for a special occasion such as Christmas expenses.

The above suggestion to estimate low for income applies to all situations. One of the reasons why many persons fall short and have trouble paying their bills is because they planned on having more income than they actually received. By estimating income low, you provide a possible "cushion" that can be used to meet unexpected expenses.

c. In deciding what items to include in your plan, a list of all fixed and variable expenses should be made. The fixed expenses are those items which occur on a regular basis, such as rent and auto loan payments. Variable expenses are those whose amounts vary and can be controlled. Food and clothing are examples of such variable expenses because the quantities and quality of food and clothing purchased can be varied in future spending plans. See Chart 2a for a typical listing of spending categories.

d. There are certain irregular expenses that occur during the year and need to be saved for each planning period. These include taxes, license plates, life insurance premiums, medical expenses, etc. The expenses may not occur each month but they should be included in the financial plan so part of the family's income will be set aside each month to meet these expenses. One method of estimating these expenses is to look back over the past few years' records to determine how much was spent on each of these expenses and allow for an increase in the current year due to inflation or an increase in family size. Families who don't keep records cannot do this. Record keeping is important. If no records are available, estimates will have to be made after careful reflection.

e. Include savings in the plan to achieve short, medium, and long term goals. A plan for spending and saving must include these goals or they won't be achieved. If one of a family's short term goals is to finance the purchase of a car at the end of the year, a certain amount of money needs to be saved toward the down payment. To achieve intermediate and long term goals, a plan for savings must also be included in the financial plan. Surprisingly, savings are often the major part of the financial plan that is forgotten! All families need to remember that their financial plan is a plan for spending and saving and that the attainment of longer term financial goals will greatly depend on savings.

f. Once the family has developed their financial plan, they need to check and make sure that their spending and savings when added together equal their take home pay. If this does not occur, their plan will need adjusting. If spending and savings are more than take home pay, a decision will have to be made to cut expenditures or increase income. Or if spending and savings are less than take home pay then decisions on priorities can be reviewed and shifts made in these areas.

g. Once the initial financial plan has been set up and a certain amount of money is assigned to each category of the plan, it is necessary to establish some sort of record keeping system. Record keeping is the key to the success of any financial plan. Record keeping will help keep the family within the spending limits while the plan is in effect or let them know when the limits are being exceeded. Records will also serve as a necessary source of information for determining what adjustments need to be made in future plans.

h. The family needs to remember that a plan is only a guide; it is something to deviate from and can and should be adjusted from time to time. In making a financial plan, the family can only approximate the amount of money needed for all fixed and variable expenses. Once the actual expense is determined, the plan can and must be adjusted.

3. Who should make the plan?

a. In developing the plan, it is important that it should be an effort of all household members so as to gain maximum acceptance and representation of all points of view and concerns. If all members of the household are aware of the plan and the reasoning behind the plan, it will be easier for them to work together to accomplish the goals.

Money Management Chart 2a

MONTHLY EXPENSE CATEGORIES

SHELTER:	Mortgage Payment (Fixed)	$
	Property tax, insurance (Fixed)	$
	Fuel (heat) - Oil (Variable)	$
	Gas & Electric (Variable)	$
	Water, sewer & garbage (Fixed)	$
	Other (explain), Maintenance (Variable)	$
FOOD:	Groceries - Food Only (Variable)	$
	Meals out (Variable)	$
	Jack's lunches (Variable)	$
CLOTHING:	Normal needs (Variable)	$
	School clothes (Variable)	$
	Laundry & dry cleaning & repair (Variable)	$
	Other (special events) (Variable)	$
HOUSEHOLD EXPENSES:	TV, Furniture (Fixed)	$
	Normal repairs (Variable)	$
	Towels, linens, etc. (Variable)	$
	Cleaning supplies (Variable)	$
	Telephone (Variable)	$
TRANSPORTATION:	Gas & oil (Variable)	$
	Auto repairs (Variable)	$
	Insurance, license, inspection, etc. (Fixed)	$
	Car payment (Fixed)	$
HEALTH:	Doctor (Variable)	$
	Dentist (Variable)	$
	Prescriptions & Drugs (Variable)	$
	Insurance (Fixed)	$
	Other (Variable)	$
PERSONAL EXPENSES:	Self - allowance (Variable)	$
	Spouse - allowance (Variable)	$
	Children - allowance (Variable)	$
	Beauty care (Variable)	$
	Recreation & Entertainment (Variable)	$
	Pets (Variable)	$
INSURANCE:	Life Insurance (Fixed)	$
	Retirement fund (Variable)	$
MISCELLANEOUS:	Newspapers & magazines (Variable)	$
	Church (Variable)	$
	Babysitting (Variable)	$
	Gifts (Variable)	$
	Cigarettes, alcohol (Variable)	$
SAVINGS:	(Variable)	$
CREDIT CARD PAYMENTS:	(Fixed)	$
	TOTAL	$

Adapted from Madison Consumer Credit Counseling Service, Madison, Wisconsin.

b. Responsibility for various segments of the plan should rest with those members of the family who have the authority over or do the spending for those segments. For example, if the teenaged children do the food shopping, then they should be responsible to see the family spends only the amount allocated on food. By spreading the responsibility for various segments of the plan, all household members will have a personal interest in seeing that the plan succeeds.

F. Recordkeeping

1. Why keep records?

a. To determine where money is being spent. Until families realize where they are currently spending their money, it will be impossible for them to develop an accurate plan for spending and savings. To begin a plan, families need to estimate the amount of money needed in each area of consumption based on records of current spending rather than guesswork. For example, if transportation costs (gas, maintenance, etc.) ran on an average of $90 a month for the past six months, the family needs to allocate $90 a month for transportation.

b. To pinpoint problem areas. Recordkeeping will also indicate overspending or deviation from the financial plan. For example, if a family allocates $40 a month for food eaten out of the home, but realizes they are spending $50 a month, this pinpoints a problem area in their financial plan. Hopefully, realizing this excess expense will convince them to re-evaluate and perhaps cut down on spending in areas that are wants and not needs.

c. To adjust the financial plan as conditions change. The financial plan needs to be flexible so it can be adjusted as conditions change. Once the last car payment is made, the amount will no longer be included in the financial plan. Another of the family's short or long term goals can be incorporated into the plan instead. Or, if there was an increase or decrease in earnings, adjustments could be made in amount spent on variable expenses.

d. To control spending to help the family stay within the plan. Record keeping is a tool to help families stay within their financial plan after its adoption. By having family members compare their spending with their financial plan, they will realize when they are overspending or when they have understated their expenses. This helps them control their plan. If a family of four allocates $65 a week for groceries, it would be a good idea for the shopper(s) to take a pocket calculator to the store. After selecting all necessary food items he/she could add up the costs and then determine if enough money is left over for another want.

e. For preparing income tax returns. If receipts and accurate records have been kept, preparing income taxes will be easier.

Often times, people who itemize their deductions will omit hundreds of dollars of legally deductable expenses. Thus, good recordkeeping can help save money.

2. How to Keep Records.

a. A recordkeeping method should be simple for the users. Each family's method of recordkeeping will differ with their preferences and experiences. The method should be simple enough that the members of the family will keep the records up to date. The most detailed and elaborate records are useless if the users feel they are too difficult and complicated to complete. Usually a simple method gets the best results.

Recordkeeping should be done at least once a week when beginning a financial plan. If the planning periods are broken into weekly or bi-weekly units this frequent attention to recordkeeping is especially necessary.

b. Recordkeeping should be individually tailored. Each family determines the categories to be included in their financial plan according to their needs and lifestyle. All families need to list fixed expenses for food, housing, clothing, transportation, property taxes, etc. Variable expenses differ from family to family. Some families spend a large percentage of their income on recreation or entertainment and they need to include this expense in their financial plan. Other families spending a smaller percentage in these categories would likewise record the lesser amount.

c. Records should be comprehensive but not overly so. There is one common misconception about recordkeeping. It is that you must list every expense made, no matter how small. This is not necessarily true. Records need to be kept as complete as possible, but small expenses or miscellaneous expenses can be recorded together. Just don't let a "miscellaneous" category become too large.

Most regular expenses do need to be listed in detail. For example, recording a blouse purchased by the mother of a family could be recorded under: clothing--mother, $18.

Records then show where the family's money is being spent and for this reason they need to be as comprehensive as possible. Without complete records, the controlling and checking of the financial plan cannot be done.

d. Records are means rather than an end. Records are tools used by the family to help them achieve their goals. They allow families to check their actual expenses against the estimated expenses and modify their spending patterns or plans when differences occur. The family must remember that the purpose of recordkeeping is not to see how well the family can keep records of their expenses but to allow for checking and adjusting their plan so that financial goals may be reached.

3. Record keeping methods will differ from family to family according to the family's preference and experience. Certain methods may be better or more efficient than other. The "best" method is the one that the family finally chooses to use. A few common methods in practice by families are:

    a. Envelope method. Every payday a set amount of money is placed into envelopes labeled for family expenditures. These envelopes would be labeled housing, food, clothing, transportation, recreation, savings, etc. Then when an expense arises, you take money out of the appropriate envelope to pay for it. A problem with this type of method is that an accurate record is not kept of expenses and the money in a category may run out before the time period is over. Experts agree that the envelope method is not the best way to manage money. Still, it is better than no management plan at all.

    b. Shoe Box method. In this method, all members of the family record their expenditures on a sheet of paper or on the receipts and place them in a shoe box. They should list the date, expenditure, price and by whom it was purchased. The person(s) in charge of the financial plan then places these expenses in appropriate categories and adds them up to determine how much the family has spent in each category and estimates how much the family has left to spend for the remainder of the planning period.

    c. The notebook method. The notebook method is similar to the others in that receipts for cash sales are saved and along with check stubs and credit card receipts are used to keep track of purchases. Where the notebook method differs from other methods is in how spending is recorded. At the beginning of the month when the financial plan is developed, each spending category and the amount of money allotted to it are written at the top of an individual page in a small notebook. Then as the month progresses and the receipts, etc. come in, the expenses for each category are recorded on their respective pages. When an expense is recorded it is subtracted from the amount available to get the balance left to be spent. In this way it is always possible to know how much is left to spend in each category.

        At the end of the month a new page (possibly with an adjusted allotment) is set up for each category. For those categories in which money is being set aside for a future expense you simply carry forward the unspent money to the next month. By the time the expense comes due there should be enough money available to make the payment.

    d. Formal, multi-column ledger method. All expenses would be recorded in detail in a formal ledger. This method is more time consuming, but if done accurately will be very precise. Again, with this method each family member would be responsible for keeping track of their expenses and the family member(s) in charge of the financial plan enter the expenses in the ledger.

e. Checkbook method. If accurate records are kept in the family checkbook, the person(s) in charge of the financial plan can use the checkbook as a receipt of expenses. If the family pays most of their bills by check, the amount can be easily transferred to the financial plan from the checkbook.

Separate checking accounts for different categories could also be used in place of one checkbook. For example, a family might have a separate checking account for food expenses. This would alleviate any confusion related to how much money is left to spend in the food category. For each pay period, a set amount of money would be deposited in the checking account for food and all expenses in the category would be deducted from the account.

f. Other methods. Families can develop their own method that is best fitted to their circumstances. As long as accurate records are kept of purchases, the method used does not matter. It should be the easiest one for the family members to use and the one that works for them.

4. Who should keep the records? Recordkeeping needs to be done regularly; therefore, the individual(s) in charge of recordkeeping should be willing to take the time needed to keep accurate records. Recordkeeping involves recording and totalling expenditures during and after the weekly, bi-weekly or monthly time period to determine if the family is staying on track with their spending. The person(s) should be able to estimate how much money the family has left to spend, what their expenses will be, and discuss this with the family members. Preferably, it should be the same person(s) who pays the bills, handles the checkbook and/or has responsibility for a major segment of the plan. If one person is responsible for paying all the family bills, it is easier for them to predict how much money is needed for future expenses. Or if two people make a joint project of recordkeeping, this might end arguments over where their money is being spent. A couple could easily work together. One person could write the checks, while the other person enters the amount in the records.

G. Special Considerations

1. Recordkeeping related to credit and credit cards.

a. Recording actual expenses can be done by one of two methods: the cash method or the accrual method. In the cash method, families record sales transactions only when there is an actual payment. If a family went out to dinner and charged it on their American Express card, they would record the expense only upon receiving the bill, which would be in the next month or possibly two months from the time of the dinner. With the accrual method, the family records the transaction when it occurs even though the payment will be much later. So the same family would record the cost of the dinner in that month's expenses instead of waiting to record the expense in the month in which they received the bill.

The decision on which method to use is left up to the family. The accrual method of recording purchases is more accurate because the family subtracts the amount spent immediately so they know exactly how much money is left to spend in each category.

b. The widespread use of credit allows many families to charge basic needs such as clothing, gas, furnishings, appliances, etc. and use the receipts as records of their expenditures. This method allows families to keep records of the amount of money spent in certain areas of consumption that otherwise might be difficult to keep track of. For example, if all gasoline and oil expenses were paid for with a gas credit card, the receipts could be used for recordkeeping purposes. Whereas, if the purchases were made with cash, the family member(s) would need to record each purchase. So in certain cases the use of credit cards can be beneficial for simplifying recordkeeping.

2. Checking Accounts.

a. Accurate checking accounts can be used as a tool for recordkeeping. For more information on using a checking account to keep records see the previous section on recordkeeping.

b. A checking account can be used as a short term savings account for planned, future expenses. But if money will not be spent for two to three months, it should be put in a regular savings account.

3. Savings Accounts.

a. Savings for short, intermediate, and long term goals should be placed in a regular savings account. If savings is not placed in an account separate from checking, there is always the tendency to use the money for current expenditures. It is recommended that families consider opening several savings accounts. Often separate savings accounts, set up for the various financial goals and planned expenses, make keeping track of these funds much easier. For example, if you place the amount of money set aside for property tax into a savings account, at the end of the year the money will be available and the expense will not place an undue burden on your current income. Plus you will have earned some interest on the money.

b. A certain amount of income should be allocated for emergencies such as unemployment and illness. A rule of thumb is to save at least three months' income for unexpected emergencies, so if a family's monthly income is $1200 they should have $3,600 in an emergency savings account.

c. Money placed in savings accounts accumulates interest. This is the main reason for placing money in a savings account. Over years of savings a substantial sum of money can be earned in interest. The family needs to decide how they will use the interest accumulated. They may want to keep it in the savings account and let it continue to grow or withdraw the interest and use it for some small short term goal.

4. Retirement Savings. Every family needs to plan for their retirement. Families which will not receive a pension or retirement fund will need to do additional planning to make sure they have enough savings for their retirement. But everyone should plan adequately for their retirement. This planning should not be started two or three years before an individual retires, but should be started as soon as possible. Often saving for retirement cannot be started until after the family becomes established. Knowing this, families must avoid delaying the start of their retirement savings until it is too late.

CASE STUDY

Helping the Joneses Keep Up

The Slide Into Financial Instability

Mary and Jack Jones have been married for seven years. They have two children, Coral, age 5 and Jerry, age 2. They also have a dog named Giles. Before the children were born, both Jack and Mary worked and they were able to live free and easy without incurring excess debts and were able to save a modest amount for a down payment on a home.

With the birth of their first child, Mary quit working full time but was able to keep a part-time job. At about the same time, they purchased a condominium with the money they had saved. They continued to live fairly well because of Mary's part-time job and the fact that the condominium payments were fairly low. They entertained often and were able to take a vacation each year. They did not, however, continue their habit of saving regularly.

They were able to avoid using credit, however, and the only thing they owed at the time Jerry was born was $1,600 on a car.

When Jerry was born, Mary was forced to quit her part-time job. For the first year, things went smoothly. But when Jerry was about one year old, the Jones' finances took a dramatic turn. Their condominium was simply too small so they bought a new home, which resulted in a much higher mortgage payment. Because they like to entertain, Jack and Mary felt they needed new furniture for the house. All the money from the sale of their condominium went for the down payment and closing costs on the house, so they used credit to buy the new furniture. The cost was about $2,900. At about the same time, their TV died, so they bought a new color TV for $600 from the furniture store and added the TV debt to the furniture debt. Their payments are $110 per month, and the loan was granted for three years.

It is now one year after they bought the house, furniture, and TV, and it has been two years since Mary quit her job. During the past year their finances have completely deteriorated. They have little idea where their money has been going, but they do know that they have been using their credit cards extensively to pay for living expenses which couldn't be met because of the payments on their mortgage and other debts. They now owe $2,400 on the furniture and TV and $2,800 on their various credit cards.

Last month the Joneses made their last car payment and they thought things would improve. They didn't. Jack and Mary have finally decided that they must get a handle on their financial affairs before they go off the "deep end They have decided they must begin living within Jack's $1,300 per month take-home pay and must bring their credit card debts down.

Through a referral from the union to which Jack belongs, the Joneses were able to get an appointment with a financial counselor. The counselor listened to Jack and Mary's explanation of their problems and commented that their problems were not unusual. He suggested that they follow a series of steps in developing a financial plan.

1. Decide upon the family's short, intermediate and long term goals and how much should be set aside each month in order to meet the goals.

2. Determine their net worth.

3. Determine their monthly take-home pay after all usual deductions including union dues, taxes, etc.

4. Develop a list of spending categories which includes all of the expenses they have had over the last year, and label the expenses as fixed or variable.

5. Use checking account stubs and other records to come up with an estimate of the average monthly expenditure for each category over the past year or so. Total up the expenses for the average month and compare with income.

6. Develop a balanced budget for the next month which allows for a reduction of debts, savings for contingencies, and savings for goals.

7. Set up a record keeping system for keeping track of income and outflow during the month.

8. At the end of the month, evaluate how well they were able to stay within that month's financial plan.

9. Develop a financial plan for the next month.

What the Joneses Did

Jack and Mary took their financial counselor's advice that before they could get a handle on their finances they had to do some serious thinking about what they wanted out of life. After some discussion they decided that in spite of all their entertaining and "live for the moment" spending of the past, they were most interested in the happiness of, and a good education for, their children and some security for themselves. These values translated into several short and long term goals.

On a long term basis, they want to save for their retirement and for the children's education. They thought that they should be saving at least $40 per month each to reach these goals. They also have dreams about buying a home in a warmer climate to use when they retire, but they realize that they are in no position to save for that now.

On a short term basis they want to take an extended vacation touring the U.S. They want their children to see the country's natural beauty and they want to visit relatives and friends who have moved away. They figure they will need to save $100 per month to meet this goal. They also realize that they will probably need a new car in about three years, and they want to use savings rather than credit for the purchase of their next car. They figure they will need to save another $100 per month for the next three years to meet this goal.

Their first impulse was to have Mary find a job. The more they thought about this the more it bothered them. Many of their friends are couples in which both parents work and they are not having financial problems. In spite of this, Jack and Mary felt it would be best if Mary waited until Jerry started school before going back to work. In all, the more they thought about their values and goals, the more they realized how destructive their behaviors had been over the past few years. What had worked well for many of their friends had not worked well for them.

Following the financial counselor's advice, Jack and Mary next calculated their net worth. They were somewhat amazed at how much they owed and disturbed by how little savings they had accumulated. They were really in no position to weather any kind of financial emergency. Both vowed that next year's net worth statement would be an improvement. (See Money Management Chart 1a)

When Jack and Mary calculated their average monthly expenses, they realized why their net worth statement looked so bad. Over the past year they had been spending about $1,600 per month on an income of $1,300 per month. (See Money Management Chart 2b) The difference between spending and income had been made up primarily through use of credit cards.

Jack and Mary began to realize what they must do to straighten out their financial affairs. They decided to sell their second car and put the proceeds into a savings account for emergencies. This would also lower their gas, repairs, and car insurance costs. They also added a third short term goal: to pay off their credit card debts as soon as possible. They did this when they realized that the interest alone on those debts was $42 per month. They also realized that it would take two or three years to get things straightened out. Most, if not all, their other goals would have to wait until Mary went back to work.

Jack and Mary next went to work setting up a balanced budget for the next month. They realized that they were fortunate to have only a few fixed expenses. This gave them more flexibility in lowering their expenses.

Their main task was to cut their spending by $450 to bring the amount spent down to the amount earned ($300), to allow for payoff of their credit card debt ($120) and to set up a savings for emergencies ($30). They were able to develop a balanced budget by selling their second car, having Jack carry his lunch to work, limiting their meals eaten out to one per month, reducing their use of their window air conditioner, and by making other cuts in their budget. Both Jack and Mary quit smoking.

Recordkeeping

Once Mary and Jack had developed their first monthly budget, they needed to develop a record keeping system. Mary said she would be happy to handle the records. They decided that it would be best if they did the bulk of their spending by check. That way they could keep a record of where their money was going.

Mary hit upon the idea of using a small looseleaf notebook as a way to keep track of their money. On each page she would write a spending category and the amount to be spent during the month. About once each week she would use the checkbook and other receipts to subtract what had been spent in each category. At the end of the month she would check the entire budget.

In some categories they had spent less than expected. If the money left over was expected to be spent later, she would carry it forward to the next month. In some categories they overspent. If this was due to an unusually large expenditure that was unlikely to occur again for a while, she would subtract the amount overspent from the next month's allocation for that category. Thus, by using the expense records from each month, she could set up a budget for the next. Money Management Chart 3 gives examples of the pages for several categories in the first and second month after Jack and Mary began using the record keeping system. Use Chart 3 as an illustration of the paragraphs that follow.

Mary found that for the first two months the family was spending less than the allocated amount on groceries. At first she simply carried the unspent amount forward. If this trend continues, she may find it possible to reduce the amount allocated for groceries and increase some other category.

On January 18, Jack bought a new battery for their car. The cost ($35) exceeded the budgeted amount for car repairs. Mary subtracted the excess from February's allocation. In February, Jack changed the oil and filter in the car at a cost of $10. Again they were overspent, so $5 would have to be subtracted from the March allocation for car repairs. Because the $20 allocation for car repairs was based on average repair expenses, there may be some months ahead where less than $20 will be spent. If so, the overspending problems with this category will correct themselves. If not, Mary may find it necessary to begin allocating more than $20 per month for car repairs.

Jack and Mary are sent a car insurance bill every six months and license plates and an inspection are required once a year. They figured these costs would average out to $25 per month. In January, they spent nothing for this category. In February, they spent $30 on license plates and an inspection. Their next car insurance bill won't arrive until June. By that time they should have enough money carried forward to pay the bill when it is due.

Jack and Mary realized that one of the main reasons they got into financial trouble was that they failed to keep track of their use of credit cards. They decided that from now on when they use a credit card they will record it as if they paid cash. Then when the bill comes they can pay it right away without adding to their debts. In January Jack bought a shirt with their VISA card. Mary subtracted the $15 from the clothes category, even though the money stayed in their checking account. When the bill comes, that money will still be there, ready to be used to pay the bill. In February, they spent nothing on clothes but they know that in the spring they will need to buy some new clothes. The amounts carried forward each month will pay for these clothes.

Jack and Mary have developed a financial plan which should work for them. They deposit Jack's entire check into their checking account and pay their bills by check. The money they carry forward will remain in their checking account until they need it. If they keep to their plan and are conscientious about keeping financial records, they will reach their goals.

Money Management Chart 1a

Net Worth - The Jones Family

SUGGESTED FORM FOR DETERMINING NET WORTH

Assets

Cash on hand	$ 25
Cash on deposit in checking account	170
Savings account	75
Market value of listed stocks	-
Market value of listed bonds	-
Cash surrender value of life insurance policies	1,800
Market value of house	40,000
Market value of furniture and furnishings	7,000
Resale value of automobile(s)	3,700
Cash value of annuity contract	-
Cash value of retirement fund	-
Bid prices on unlisted stocks	-
Bid prices on unlisted bonds	-
Market value of land owned	-
Market value of buildings owned	-
Money loaned on mortgage	-
Accounts receivable	-
Other assets	650
Total Assets	$53,420

Liabilities

Mortgage on house	$36,000
Loan from bank	-
Loan on life insurance	-
Store credit cards	825
Installment debt	2,400
Bank credit cards	1,975
Other liabilities	-
Total Liabilities	$41,200

Net Worth December 31, 19__	$12,220

Money Management Chart 2a

MONTHLY EXPENSE Categories

SHELTER:	Mortgage Payment (Fixed)	$
	Property tax, insurance (Fixed)	$
	Fuel (heat) - Oil (Variable)	$
	Gas & Electric (Variable)	$
	Water, sewer & garbage (Fixed)	$
	Other (explain), Maintenance (Variable)	$
FOOD:	Groceries - Food Only (Variable)	$
	Meals out (Variable)	$
	Jack's lunches (Variable)	$
CLOTHING:	Normal needs (Variable)	$
	School clothes (Variable)	$
	Laundry & dry cleaning & repair (Variable)	$
	Other (special events) (Variable)	$
HOUSEHOLD EXPENSES:	TV, Furniture (Fixed)	$
	Normal repairs (Variable)	$
	Towels, linens, etc. (Variable)	$
	Cleaning supplies (Variable)	$
	Telephone (Variable)	$
TRANSPORTATION:	Gas & oil (Variable)	$
	Auto repairs (Variable)	$
	Insurance, license, inspection, etc. (Fixed)	$
	Car payment (Fixed)	$
HEALTH:	Doctor (Variable)	$
	Dentist (Variable)	$
	Prescriptions & Drugs (Variable)	$
	Insurance (Fixed)	$
	Other (Variable)	$
PERSONAL EXPENSES:	Self - allowance (Variable)	$
	Spouse - allowance (Variable)	$
	Children - allowance (Variable)	$
	Beauty care (Variable)	$
	Recreation & Entertainment (Variable)	$
	Pets (Variable)	$
INSURANCE:	Life Insurance (Fixed)	$
	Retirement fund (Variable)	$
MISCELLANEOUS:	Newspapers & magazines (Variable)	$
	Church (Variable)	$
	Babysitting (Variable)	$
	Gifts (Variable)	$
	Cigarettes, alcohol (Variable)	$
SAVINGS:	(Variable)	$
CREDIT CARD PAYMENTS:	(Fixed)	$
	TOTAL	$

Adapted from Madison Consumer Credit Counseling Service, Madison, Wisconsin.

Money Management Chart 2b

MONTHLY EXPENSE Before

SHELTER:	Mortgage Payment (Fixed)	$ 340
	Property tax, insurance (Fixed)	$Included
	Fuel (heat) - Oil (Variable)	$ 60/mon. ave.
	Gas & Electric (Variable)	$ 50 " "
	Water, sewer & garbage (Fixed)	$ 15
	Other (explain), Maintenance (Variable)	$ 20
FOOD:	Groceries - Food Only (Variable)	$ 265
	Meals out (Variable)	$ 40
	Jack's lunches (Variable)	$ 45
CLOTHING:	Normal needs (Variable)	$ 50
	School clothes (Variable)	$
	Laundry & dry cleaning & repair (Variable)	$ 13
	Other (special events) (Variable)	$
HOUSEHOLD EXPENSES:	TV, Furniture (Fixed)	$ 110
	Normal repairs (Variable)	$ 10
	Towels, linens, etc. (Variable)	$ 10
	Cleaning supplies (Variable)	$ 15
	Telephone (Variable)	$ 25
TRANSPORTATION:	Gas & oil (Variable)	$ 50
	Auto repairs (Variable)	$ 30
	Insurance, license, inspection, etc.(Fixed)	$ 40
	Car payment (Fixed)	$ 80
HEALTH:	Doctor (Variable)	$ 15
	Dentist (Variable)	$ 15
	Prescriptions & Drugs (Variable)	$ 10
	Insurance (Fixed)	$Paid by employer
	Other (Variable)	$
PERSONAL EXPENSES:	Self - allowance (Variable)	$ 25
	Spouse - allowance (Variable)	$ 25
	Children - allowance (Variable)	$
	Beauty care (Variable)	$ 10
	Recreation & Entertainment (Variable)	$ 60
	Pets (Variable)	$ 10
INSURANCE:	Life Insurance (Fixed)	$ 50
	Retirement fund (Variable)	$ 00
MISCELLANEOUS:	Newspapers & magazines (Variable)	$ 12
	Church (Variable)	$ 20
	Babysitting (Variable)	$ 20
	Gifts (Variable)	$ 30
	Cigarettes, alcohol (Variable)	$ 40
SAVINGS:	(Variable)	$ 00
CREDIT CARD PAYMENTS:	(Fixed)	$ 00
	TOTAL	$1,600

Adapted from Madison Consumer Credit Counseling Service, Madison, Wisconsin.

Money Management Chart 3

Sample Spending Category Pages

1st Month

Groceries	$210
January 3	-48
	$162
January 10	-56
	$106
January 19	-48
	$ 58
January 27	-53
	$ 5

Auto Repairs	$ 20
January 18	-35
(New battery)	-$15

Auto Insurance, Etc.	$ 25
None Spent	

Clothes	$ 20
Jan. 23 Shirt for Jack-credit card	-15
	$ 5

2nd Month

Groceries	$210
Carried forward	5
To Spend	$215
Feb. 4	-63
	$152
Feb. 12	-42
	$110
Feb. 19	-53
	$ 57
Feb. 26	-46
	$ 11

Auto Repairs	$ 20
Overspent in Jan.	- 15
To Spend	$ 5
Feb. 13 Oil change done by Jack	-10
	-$ 5

Auto Insurance, Etc.	$ 25
Carried forward	25
To Spend	$ 50
Inspection, License Plates	-30
	$ 20

Clothes	$ 20
Carried forward	5
To Spend	$ 25

Suggested Program Plan

Section 2. Effective Money Management

Session 1

Materials Needed: Overhead projector and screen for showing transparencies of the outline, objectives and charts. Or individual copies of each of the above for all participants. Extra copies of the case study. Paper and pencils for all participants. Chalkboard and chalk.

Note: This session is intended to follow Section 1, Session 3. If it is not used in this sequence, some changes will need to be made in the program format. If this session is to be the first session with a new group, the preview material in Section I, Session 3 will need to be gone over and adapted into this session. Plans must be made either to hand out the case study prior to the first session or to allocate time in the program plan for reading the case study. But if it is at all possible, hand out the case study prior to the session so the participants will have ample time to read it.

INTRODUCTION

Notes on Activities	Time	Activity
Since the terms "money management" and "budgeting" have a negative impact on many individuals, the first session should be positive and reinforcing, showing the many benefits of good money management.	3	Begin the session by stating briefly your objectives as a group leader for the total Money Management Section. "Poor money management or the total lack of money management leads many families into financial difficulties. Many of these problems could be easily remedied if a family would spend a few hours each month developing and following a financial plan."
Show transparencies of the objectives and outlines of the section, or give all participants an individual copy of these items.	3	Then go over the objectives and the outline given in the background material.
		To introduce the purpose for reading the Jones' case study, you might say, "To meet the objectives we have just discussed, we have scheduled several interesting activities. Most of these activities will center around a discussion of the Jones' family case study that you have read" "Let's look at how the Jones family managed their money. In the first few years

Notes on Activities	Time	Activity
		of their marriage, the Joneses never had any problems paying their bills, but in the past year, their spending got out of control. During these first two sessions we will be looking at how the Joneses got into this financial situation and what they can do to get out of it."

PURPOSE OF MONEY MANAGEMENT

Notes on Activities	Time	Activity
	1	Defining money management. "But, before we look at the reasons why the Jones family needs money management, we need to have a clear understanding of what the term "money management" means. Does anyone have an idea of what we mean by money management?"
Write the participants definitions on the board. After each response, be sure to reinforce comments like "thanks," "that's fine," or "good" with the members of the group so they will continue to respond in all sessions.	3	Allow the participants to respond.
After writing the definition that is given in Section II of the background material, be sure to relate it to what the participants have said about the definition. For example, if someone says "budgeting" you could reply "Yes, budgeting is an integral part of money management. This is because through a budget, you are able to control spending and saving."	3	Now, write on the board the definition of money management as given in the background material for Section 2. MONEY MANAGEMENT MEANS DEVELOPING AND USING A PLAN FOR SPENDING AND SAVING BASED ON FAMILY INCOME IN ORDER TO HELP INDIVIDUALS AND FAMILIES MAXIMIZE THEIR RESOURCES AND ACHIEVE THEIR FINANCIAL GOALS. Relate this definition to what the group members have said.
	8	Discuss the definition of money management by posing the following questions. 1. "Why is money management a plan for spending and saving and not just spending alone?" Discussion.

Notes on Activities	Time	Activity
		2. "Can income be planned? Why or why not?" Discussion. The answer should be yes.
Review Section A of the background material for the purposes of money management. PURPOSES OF MONEY MANAGEMENT 1. To use money in the most efficient and effective manner. 2. To achieve financial goals. 3. To indicate problem areas. 4. To minimize the negative impact of unplanned expenses.		3. "What are the purposes of money management?" Discussion. As participants respond write their comments on the board. Include any purposes given in Section A of the background material that the participants did not list.

THE COSTS VS. THE BENEFITS OF MONEY MANAGEMENT

Notes on Activities	Time	Activity
Write ADVANTAGES and DISADVANTAGES across the top of the board.	1	"Now that we have discussed the purposes of money management, we need to think a little about whether the benefits of money management are greater than the costs. The best way to determine this is by listing the ADVANTAGES and DISADVANTAGES of money management. Do any of you have any ideas on why people want to manage their money or why people don't want to manage their money?"
As the participants respond, write their response under the appropriate heading.	3	Allow the participants to respond. Sum up by stating, "When you look at the advantages and disadvantages of money management that we have listed do you think that money management is worthwhile?"
	3	Discuss. Your job will be to convince them that it is worthwhile.

DETERMINING FINANCIAL GOALS

Notes on Activities	Time	Activity
Write the headings short, intermediate, and long term goals across the top of the board. When you define short term goals, write 1 year beside the heading to indicate how soon the family hopes to obtain these goals. i.e. Short term goals - 1 year. As you explain intermediate and long term goals also write the number of years beside the terms.	4	"We have talked about goals in earlier sessions, but now we are talking specifically about financial goals. Financial goals are goals which describe where the family would like to be financially in 1, 5, or 20 years. Just like all goals, there are short, intermediate, and long term financial goals. Short term goals are those immediate wants and needs the family plans to obtain within *one* year. For example, one family's short term goal might include going on vacation and buying a new sofa. Next, we have intermediate term goals which are the wants and needs the family plans to obtain within the next *two* to *five* years. For a young couple, this might include starting a family, purchasing a new car, and establishing a life insurance program. Long term goals are the wants and needs the family plans to obtain after *five* years. Again with a young couple these might include purchasing a home, planning for their children's education and then retirement, and purchasing vacation land."
	4	Goals of the Joneses. "Now, looking back at the Jones family case study, does anyone remember what their short, intermediate, and long term financial goals were?"
As the participants respond, write down their responses under the appropriate heading.		Allow the participants to respond.
Pass out paper and pencils if necessary.	6	Participants determine their goals. "Now I would like you to write down a few of *your* short, intermediate, and long term financial goals." "And, if you can, get an idea of how much you would need to save per month to meet these goals."
Visit individuals to answer any questions concerning the definitions, but let them determine their own financial goals without your help.		Individuals write their short, intermediate, and long term financial goals.

Notes on Activities	Time	Activity
		"Are the financial goals that you listed your goals or your family's goals? During the next week I want you to discuss the goals you listed with your family and make any adjustments where needed. This will help you when it comes time for you to develop your own financial plan."

DETERMING NET WORTH

Notes on Activities	Time	Activity
Write the following equation for determining net worth on the board. FAMILY'S ASSETS (WHAT IS OWNED) - FAMILY'S LIABILITIES (WHAT IS OWED) = FAMILY'S NET WORTH	2	"After determining their financial goals, a family should next determine their current financial condition. To do this, a family's net worth must be measured." "Net worth can be determined by SUBTRACTING THE FAMILY'S LIABILITIES (WHAT IS OWED) FROM THE FAMILY'S ASSETS (WHAT IS OWNED)." "As an example, Let's look at the Jones' current net worth in Chart 1."
	8	Go over Chart 1 explaining the assets and liabilities and how to arrive at the net worth. To get the group thinking about how they would improve the Jones' financial situation, ask them "What can the Jones' do to improve their net worth?"
	4	Discussion.

SUMMARY AND CONCLUSION

Notes on Activities	Time	Activity
A summary should be given at the end of each session to help the participants organize in their minds what has occurred. List the following concepts on the board. 1. Money Management 2. Purpose of Money Management 3. The Advantages and Disadvantages of money management.	4	"Let me interupt this discussion so we can have a few minutes to summarize and review what we covered in the past hour. Many families have financial problems, some more extreme than others, but the common goal among most of these families is to improve their financial situation. This improvement will not occur overnight and will only begin if a change in attitudes and spending patterns occurs. If a family wants to improve its financial situation, it can, but the family members need to remember that any change takes effort.

Notes on Activities	Time	Activity
4. Financial goals 5. Net Worth		"We've discussed two ways to change a family's attitude toward spending. The first is to have the family determine their financial goals so they have something to work toward. The second is to measure the family's net worth. This tells them where they stand. These methods provide incentive and motivation which are the two key factors in determining the success of money management. If effective money management is practiced, each year a family's net worth should increase and they should find it much easier to reach their financial goals."

Suggested Program Plan

Section 2. Effective Money Management

Session 2

Materials Needed: Extra copies of the case study. Copies of Money Management Chart 2a & 2c for all participants. Paper and pencils for participants. A calculator.

INTRODUCTION

Notes on Activities	Time	Activity
At the beginning of each session, a short review should be given of the past session.	1	"In the last session we talked about using money management to help achieve financial goals. We also defined money management as a plan for spending and saving based on family income. Now we are going to discuss how and why this plan is developed."
Review Section D of the background material.		"To begin the discussion on why a financial plan is needed, we will use the Jones family as an example. If the Jones family wants to control their expenditures, they are going to have to set up a financial plan to manage their current spending. This plan is often called a budget."

DEVELOPING A FINANCIAL PLAN

Hand out extra case studies.	2	"Certain steps need to be followed when developing a financial plan. When the Jones family went to a financial counselor, he listed nine steps to developing a financial plan. So let's turn the page 2 of the Case Study and look at the steps the Jones family took to develop their financial plan. But before we discuss these steps, quickly read them over."
	2	Participants read the nine steps to themselves.
	1	"Now we are going to go over each step to get an idea of how the Jones family developed their financial plan."

Notes on Activities	Time	Activity
		Read the first step out loud. "The first step is________. In the last session we determined the Jones' short, intermediate, and long term goals. It is important to list these goals so they can be included in the family's financial plan. The quickest way to achieve these goals is to save money specifically for them."
	1	Read the second step out loud. "The second step is_________. We determined the Jones' net worth was $12,200."
If the participants do not remember the Jones' take home pay, have them check back in the case study.	1	Read step three out loud. "The third step is__________. Does anyone remember how much money Jack Jones takes home a month?"
Go over the categories of spending. Pointing out why the categories are fixed or variable. See Section D, Part c of background material.	3	Read step four out loud. "The fourth step is_________. The Joneses went through all their records for the past year and listed all their categories of spending. Let's turn to Money Management Chart 2a to see exactly where the Joneses are spending their money." Discuss.
Briefly go over the amounts spent on each category.	3	Read step five out loud. "The next step is to_________. After the Joneses determine where their money is being spent, they need to determine how much money is going to each category. Money Management Chart 2b gives an exact breakdown of where the Jones' money was being spent before they went to the financial counselor." Discuss.
	1	Read step six out loud. "The sixth step is_________. When the Jones' expenses are totaled, they should equal Jack Jones' take home pay, but in the Joneses case, their monthly expenditures were $300 more than their income. So expenses in certain areas must be cut. In your exercise for this week, you were to decide in which categories the Jones could cut their expenditures and by how much. Using the new plan that you have developed let's see if we can agree on a financial plan that will get the Joneses out of debt.

Notes on Activities	Time	Activity
	15	Discussion of amounts to be spent in each category of the new plan.
If there are problems reaching a consensus on the dollar amount that could be cut, write 3 or 4 suggested amounts on the board and take a vote by a show of hands.		Using a transparency of Money Management Chart 2b, write one figure the participants can agree on next to the present amount being spent. Or have the members of the group write the suggested amount on their charts next to the present amount being spent in each category.
If available, use a calculator to add the expenses.	3	After an amount has been determined for all categories that need changes, add the expenses to see if the group reached a total figure of $1300. "Now we need to add up all the categories and see if the Joneses are now spending $1300 or less." If you have not reached this figure, explain that more adjustment would be needed but in the interest of time you will go directly to what the Joneses actually did.
Hand out Money Management Chart 2c.	4	Then show the participants the financial plan the Joneses actually developed. (Chart 2c) "Now, I'm going to hand out a chart that shows the plan the Joneses developed. By comparing Chart 2b in the case with Chart 2c you can see in what areas the Joneses actually cut their expenses." Discuss.
Review Section E of the background material.	5	"The seventh step is to set up a recordkeeping system. The Joneses set up a simple system of record keeping using checks to record most of their purchases. They would then transfer all amounts once a week from their checkbook and other receipts to a loose leaf notebook. Turn to Money Management Chart 3. In this system, the expenditures were subtracted once a week to keep track of the money they have left." Discussion of the notebook method of recordkeeping.
As participants explain a recordkeeping method, try and label it according to the five methods mentioned in the background material.	6	Briefly list and explain the other four recordkeeping methods. Then ask participants about any other systems that they might use or know about.

Notes on Activities	Time	Activity
Recordkeeping Methods 1. Envelope method 2. Shoe box method 3. Formal ledger method 4. Checkbook method 5. Other methods		
	2	"Step eight is to adjust the recordkeeping plan at the end of the month. If the Joneses were unable to stay within their budget, they would need to adjust their financial plan, which may mean cutting down on some expenses and spending more on others. Such adjustments are inevitable and do not mean that the plan was not any good. As income and the various expenses change, adjustments will always be necessary.
	1	"Step nine is to develop a new plan for the next month. Let us assume that from the evaluation of the previous month's financial plan the Joneses were able to adjust the plan and come up with a plan for the next month."
		Activities for the Next Session.
	4	"In the next session, you will be setting up a financial plan for your family. So you are going to have some things to do before the next session. There are two things that I would like you to do for the next session. The first is to fill out a monthly expense sheet just like the Joneses did. This will mean looking through your records, checkbook stubs, receipts, etc. to determine an average monthly expenditure for each category of spending."
Hand out copies of Money Management Chart 2a.		"I am going to give you a sample expenditure sheet just like the one the Joneses used, but your family will need to make adjustments in the spending categories to fit your family's needs, wants, and goals."
		"The second thing I want you to do for the next session is to determine your monthly take home pay. This will be the amount that you actually bring home after taxes and all other deductions."

Notes on Activities	Time	Activity
		"I would also like to remind you that all the work we do in the next session can be kept private and that no other members of the class need see any of your charts or records that you bring in."
	3	"Does anyone have any questions about what you are to do for next week?"
	2	"Each financial plan will be unique for it is made to fulfill the needs, wants, and goals of a specific family. The Jones' financial plan is designed specifically for them and would not apply to other families, though the steps for developing a financial plan are the same for all families, your plan will differ from others."
		"A financial plan requires time every month to develop, check, and readjust. But when you weigh the benefits of achieving your goals against the costs of a few hours a month, the costs are small in comparison."

Money Management Chart 2a

MONTHLY EXPENSE CATEGORIES

SHELTER:	Mortgage Payment (Fixed)	$
	Property tax, insurance (Fixed)	$
	Fuel (heat) - Oil (Variable)	$
	Gas & Electric (Variable)	$
	Water, sewer & garbage (Fixed)	$
	Other (explain), Maintenance (Variable)	$
FOOD:	Groceries - Food Only (Variable)	$
	Meals out (Variable)	$
	Jack's lunches (Variable)	$
CLOTHING:	Normal needs (Variable)	$
	School clothes (Variable)	$
	Laundry & dry cleaning & repair (Variable)	$
	Other (special events) (Variable)	$
HOUSEHOLD EXPENSES:	TV, Furniture (Fixed)	$
	Normal repairs (Variable)	$
	Towels, linens, etc. (Variable)	$
	Cleaning supplies (Variable)	$
	Telephone (Variable)	$
TRANSPORTATION:	Gas & oil (Variable)	$
	Auto repairs (Variable)	$
	Insurance, license, inspection, etc. (Fixed)	$
	Car payment (Fixed)	$
HEALTH:	Doctor (Variable)	$
	Dentist (Variable)	$
	Prescriptions & Drugs (Variable)	$
	Insurance (Fixed)	$
	Other (Variable)	$
PERSONAL EXPENSES:	Self - allowance (Variable)	$
	Spouse - allowance (Variable)	$
	Children - allowance (Variable)	$
	Beauty care (Variable)	$
	Recreation & Entertainment (Variable)	$
	Pets (Variable)	$
INSURANCE:	Life Insurance (Fixed)	$
	Retirement fund (Variable)	$
MISCELLANEOUS:	Newspapers & magazines (Variable)	$
	Church (Variable)	$
	Babysitting (Variable)	$
	Gifts (Variable)	$
	Cigarettes, alcohol (Variable)	$
SAVINGS:	(Variable)	$
CREDIT CARD PAYMENTS:	(Fixed)	$
	TOTAL	$

Adapted from Madison Consumer Credit Counseling Service, Madison, Wisconsin.

Money Management Chart 2c

MONTHLY EXPENSES AFTER

SHELTER:	Mortgage Payment (Fixed)	$	340
	Property tax, insurance (Fixed)	$	—
	Fuel (heat) - Oil (Variable)	$	50
	Gas & Electric (Variable)	$	40
	Water, sewer & garbage (Fixed)	$	15
	Other (explain), Maintenance (Variable)	$	--
FOOD:	Groceries - Food Only (Variable)	$	210
	Meals out (Variable)	$	20
	Jack's lunches (Variable)	$	10
CLOTHING:	Normal needs (Variable)	$	20
	School clothes (Variable)	$	00
	Laundry & dry cleaning & repair (Variable)	$	10
	Other (special events) (Variable)	$	00
HOUSEHOLD EXPENSES:	TV, Furniture (Fixed)	$	110
	Normal repairs (Variable)	$	5
	Towels, Linens, etc. (Variable)	$	--
	Cleaning supplies (Variable)	$	10
	Telephone (Variable)	$	18
TRANSPORTATION:	Gas & Oil (Variable)	$	30
	Auto repairs (Variable)	$	15
	Insurance, license, inspection, etc. (Fixed)	$	25
	Car payment (Fixed)	$	—
HEALTH:	Doctor (Variable)	$	15
	Dentist (Variable)	$	10
	Prescriptions & Drugs (Variable)	$	10
	Insurance (Fixed) Paid by employer	$	--
	Other (Variable)	$	--
PERSONAL EXPENSES:	Self - allowance (Variable)	$	20
	Spouse - allowance (Variable)	$	20
	Children - allowance (Variable)	$	--
	Beauty care (Variable)	$	5
	Recreation & Entertainment (Variable)	$	20
	Pets (Variable)	$	10
INSURANCE:	Life Insurance (Fixed)	$	50
	Retirement fund (Variable)	$	00
MISCELLANEOUS:	Newspapers & magazines (Variable)	$	7
	Church (Variable)	$	15
	Babysitting (Variable)	$	10
	Gifts (Variable)	$	20
	Cigarettes, alcohol (Variable)	$	10
SAVINGS:	(Variable)	$	30
CREDIT CARD PAYMENTS:	(Fixed)	$	120
	TOTAL	$1,300	

Adapted from Madison Consumer Credit Counseling Service, Madison, Wisconsin.

Suggested Program Plan

Section 2. Effective Money Management

Session 3

Materials Needed: Extra Copies of the Case Study. Copies of Chart 1 and Money Management Chart 2a, Chalkboard and Chalk. A calculator. Extra blank paper for figuring.

INTRODUCTION

Notes on Activities	Time	Activity
At the beginning of each session, a short review should be given of the past session.	1	"In the last session, we discussed the steps the Jones' followed to develop a financial plan for their family. The nine steps are listed on pages 2 and 3 of the Case Study, so for review, let's turn to page 2 and look over the steps."
	2	Allow participants to review steps.

DEVELOPING A FINANCIAL PLAN FOR THEIR FAMILY

	1	"In the last session, we went through all nine steps with the Jones' which included developing, checking and readjusting their financial plan. In this session, you will again be going through these steps but this time you are going to be developing a financial plan for your family. We will only be able to get through the first seven steps during this session. These are the steps which actually lead to the development of a financial plan while the last two steps are checking and readjusting the plan once it has been implemented."
	3	"The first, third and fourth steps you have already done either in a past session or for homework. In the first session, I asked you to write down your family's short, intermediate, and long term goals, so if you look back in your notes, you will be able to do the first part of step 1. Then you will have to determine how much money should be saved a month to achieve these goals. Keep in mind that some of your goals may have to be put off for a while."
		"You can skip step 2 which is to determine your family's net worth. If you

Notes on Activities	Time	Activity
		want to figure this out at home, I have net worth statement sheets available for you. But due to the limited time available, you won't have time to work on it during the session."
Write the numbers on the board.		"For today's (tonight's) session, I want you to complete steps 1, 3, 4, 5, 6, and 7."
Hand out Money Management Chart 2a and extra sheets of blank paper.		"Here are blank monthly expenditure sheets for you to use when you are ready to determine your financial plan for next month. (But, before filling in these sheets, I would advise you to make your recommended cuts in pencil next to the present amount you are spending.) Then add the expenses to see if they equal take home pay. If the expenses are higher than take home pay, you will need to cut down again in certain areas. Continue to do this until expenditures equal take home pay. If anyone needs a calculator to add their expenditures, I have one."
		"Then, once your expenditures equal your take home pay, you can then fill in the monthly expenditure sheet. It is probable that you will not finish in the time alotted but at least you will have begun. You will be working individually and you will have about 40 minutes to complete these steps. I'll be around to help anyone that needs assistance. But first, does anyone have any questions about the assignment?"
	5	Discussion
Visit participants that need help and try to look at everyone's financial plan to make sure their plan includes their financial goals.	40	Participants work on their family's financial plan.
		RECORDKEEPING
	5	"Probably not all of you have finalized your financial plan for next month, but we need to take a few minutes before the

end of the session to decide on what type of recordkeeping system you are going to use to keep track of and control your spending. In the case study, the Joneses used checks for the bulk of their expenditures. They then transferred the amount recorded from their checkbook and other receipts to a notebook. On each page of the notebook, a spending category was listed. Then once a week Mary subtracted the expenditures to determine the amount of money remaining in each category."

"We mentioned other methods of recordkeeping in the last session. These included the envelope method, shoe box method, and the formal ledger method. Can anyone give me a brief explanation of these methods?"

Discussion.

"You may have to try more than one of these methods to find the one that works for your family or you can set up your own method. It is not the method used that is important as long as accurate records are kept. So to implement your financial plan for next month, you must choose some system of recordkeeping."

SUMMARY and CONCLUSION

3 "In the past two sessions, we have defined money management, discussed the reasons for using it and shown a way it could be implemented. We used the Jones family as a hypothetical example of a family with financial problems to show how a financial situation could be improved by using money management. We went step by step through the development of the Jones' financial plan so you could see how to develop your own financial plan. Then in today's (tonight's) session you have had an opportunity to develop a new financial plan for your family. I'm sure you ran into some problems while developing your plan. Such problems are to be expected, especially the first time around. But, over time it will become much easier to develop,

Notes on Activities	Time	Activity
		check and adjust the plan. When you leave from today's (tonight's) session, your job is not over. The development of your financial plan is only the starting point of effective money management. To practice effective money management, you must check and readjust your plan periodically. Checking is the only way you can make sure that the plan is being followed and that it fits your needs. If you can't stay within the spending limits set by the plan or if doing so creates hardships you will need to adjust the plan either by moving funds between categories or even by increasing your income, if possible.
		"To sum up this section, I just want to say that the two biggest factors you have going for you are your desire and motivation to improve your financial situation. These are the two most important assets any individual or family can have when developing and using a financial plan.

Money Management Chart 2a

MONTHLY EXPENSE CATEGORIES

SHELTER:	Mortgage Payment (Fixed)	$
	Property tax, insurance (Fixed)	$
	Fuel (heat) - Oil (Variable)	$
	Gas & Electric (Variable)	$
	Water, sewer & garbage (Fixed)	$
	Other (explain), Maintenance (Variable)	$
FOOD:	Groceries - Food Only (Variable)	$
	Meals out (Variable)	$
	Jack's lunches (Variable)	$
CLOTHING:	Normal needs (Variable)	$
	School clothes (Variable)	$
	Laundry & dry cleaning & repair (Variable)	$
	Other (special events) (Variable)	$
HOUSEHOLD EXPENSES:	TV, Furniture (Fixed)	$
	Normal repairs (Variable)	$
	Towels, linens, etc. (Variable)	$
	Cleaning supplies (Variable)	$
	Telephone (Variable)	$
TRANSPORTATION:	Gas & oil (Variable)	$
	Auto repairs (Variable)	$
	Insurance, license, inspection, etc. (Fixed)	$
	Car payment (Fixed)	$
HEALTH:	Doctor (Variable)	$
	Dentist (Variable)	$
	Prescriptions & Drugs (Variable)	$
	Insurance (Fixed)	$
	Other (Variable)	$
PERSONAL EXPENSES:	Self - allowance (Variable)	$
	Spouse - allowance (Variable)	$
	Children - allowance (Variable)	$
	Beauty care (Variable)	$
	Recreation & Entertainment (Variable)	$
	Pets (Variable)	$
INSURANCE:	Life Insurance (Fixed)	$
	Retirement fund (Variable)	$
MISCELLANEOUS:	Newspapers & magazines (Variable)	$
	Church (Variable)	$
	Babysitting (Variable)	$
	Gifts (Variable)	$
	Cigarettes, alcohol (Variable)	$
SAVINGS:	(Variable)	$
CREDIT CARD PAYMENTS:	(Fixed)	$
	TOTAL	$

Adapted from Madison Consumer Credit Counseling Service, Madison, Wisconsin.

OBJECTIVES:

SECTION 3. EFFECTIVE CREDIT MANAGEMENT

Major Objective:

To provide consumers with a better understanding of their own attitudes towards credit and of credit itself with an eye toward helping them use credit in a more appropriate and beneficial manner.

Specific Objectives:

To provide a comprehensive definition of credit.

To stimulate consumers to think about their attitudes toward credit and credit usage.

To explore the advantages and disadvantages of using credit.

To list and describe the various types of credit.

To list and describe the various sources of credit.

To explain the importance of credit records and how to establish, maintain and improve them.

To explain the basic consumer rights and responsibilities related to credit.

Learner Competencies:

Define credit.

Verbalize their attitudes towards credit.

List three advantages and three disadvantages of using credit.

State the differences between installment and non-installment credit.

List five different sources of credit and how they differ as to interest rates.

List the five C's of credit.

Understand how a good credit record is established and maintained.

Verbalize their credit rights and responsibilities.

PROGRAM OUTLINE

Section 3. Effective Credit Management

A. Credit defined

B. Attitudes toward credit

C. Advantages and disadvantages of using credit

1. Advantages
   a. Buy now, pay later
   b. Emergencies
   c. Etc.

2. Disadvantages
   a. Costs
   b. Ties up future earnings
   c. Etc.

D. Types of credit

1. Installment credit

2. Non-installment credit

E. Sources of credit

1. Banks

2. Credit cards

3. Credit unions

4. Etc.

F. Credit records

1. Evaluating applicants

2. Maintaining a good credit record

G. Credit rights and responsibilities

1. Credit rights
   a. Truth-In-Lending Act
   b. Fair Credit Billing Act
   c. Fair Credit Reporting Act
   d. Fair Debt Collections Practices Act
   e. Equal Credit Opportunity Act

2. Credit responsibilities

Section 3. Effective Credit Management

A. What is Credit?

Anytime a person obtains money or goods or is provided with a service without being required to make immediate payment, he is using credit. This is a relatively broad definition of credit and it includes transactions which most people do not consider to be credit transactions. Under this definition, a doctor's willingness to send a bill rather than demand payment before you leave his office is an example of the granting of credit. Likewise, the fact that an electric bill is sent once per month rather than requiring prepayment (except where a deposit is required) qualifies electricity billing procedures as an example of credit. You may use the electricity on the first of one month but not have to pay for that service until well past the middle of the next month. An even more extreme example of credit could be simply borrowing a neighbor's lawnmower with the understanding that you will loan him something at a later date.

There are two reasons for using such a broad definition of credit. The first is to show that credit usage is not only very common but that it is in fact essential in any economy. If the electric company charged us for each day's electricity use, the money handling costs involved would greatly increase the cost of providing electricity. In this and many other cases, the granting of credit is the most efficient way of operating. A second reason for using a broad definition of credit is to counteract the belief many people have that credit usage is bad and is to be avoided. As we have seen above, credit is necessary in our economy. In addition, those of us who claim we don't use credit should realize that there are actually many instances when we unknowingly use credit. In fact, we would find economic life quite unpleasant if it were not for credit.

In summary, we can say a number of things about credit. Credit is essential. Credit can be efficient. We often use credit without realizing it. Virtually everyone in our society uses credit in many ways. Thus, because credit is an important, unavoidable part of the consumer's world, it is essential that consumers use it wisely.

B. Personal Attitudes Toward Credit

Before people can fully understand credit, they should explore their own feelings about credit. In this way they can begin to come to grips with how credit can be used to their advantage in light of their own values, attitudes, and goals. Below are listed some attitudes people may have toward credit. As a group leader, you may want to describe these to your audience and then lead a discussion of how each of the audience members feels about credit.

1. Credit is bad. Even those people who use credit extensively may harbor feelings that credit usage is bad. This feeling is a result of our heritage which values thrift and living within one's means. The problem with this attitude can be two-fold. First, when people have this attitude they may be unwilling or uncomfortable to think rationally about

credit because it is a taboo subject. This can be particularly harmful when credit is being used and is causing problems. These people may be hesitant to face the problem. Second, there are times when using credit is a wise thing to do. Those who avoid the use of credit may fail to take advantage of some of the benefits credit can provide. Credit, like all tools, can be used wisely or unwisely. The key is to know the difference.

2. Credit should never be used for luxuries or necessities. This attitude is often used as a rule of thumb which helps prevent overuse or unwise use of credit. This can be good, but strict adherence to this rule may prevent the use of credit in a positive way even when luxuries or necessities are involved.

3. Credit is a way of life; the more you use it the better off you are. This attitude is a bit extreme, but many people feel that credit is simply a way of getting something now without waiting to save enough to buy it. The extreme case is exemplified by the slogan, "The best way to die is in debt."

4. Credit is good. If it wasn't, there wouldn't be so much of it around. You don't have to worry about getting too far into debt either because credit grantors check into your financial affairs and will cut off your credit before you become over-extended. These attitudes can lead to the over-use of credit and excessive indebtedness.

5. Credit is fine if used properly. The decision to use credit should take into consideration all the costs, benefits, possible problems, and available sources of credit. Credit usage should not go beyond the limitations of the household income or strain the financial plan. This balanced, realistic attitude recognizes that there are good reasons for using credit.

C. Advantages of Using Credit

Credit is neither an evil to be totally scorned nor is it always good. Like anything else the use of credit has its advantages and disadvantages. Listed below are some of the advantages of using credit.

1. It permits us to use a product while it is being paid for without having to wait until enough money is saved. An example could be the purchase of an air conditioner on credit in July. If you waited until enough money was saved to buy the air conditioner without credit, you would no longer need its services.

2. It can help meet financial emergencies. Many times situations arise in which there is a pressing need to make a purchase but insufficient funds to do so. These can be health, automobile, clothing, employment, or household emergencies. Credit can be a very helpful tool in such cases.

3. It can be used to level out "peaks" and "valleys" in income and expenses. Rarely does a family's income and expenses remain level over time. Often, periods of low income coincide with periods of high expenses. In such times, credit can be a useful way of deferring expenses until they can be more easily managed. This pattern can be seen in the tendency of younger married couples with small children to be experiencing high expenses when their incomes are relatively low. It is not a mere coincidence that couples at that stage of life are heavy users of credit.

4. It serves to allow debt consolidation. Although not usually recommended, it is often times beneficial to consolidate many small but unmanageable debts into one large but manageable debt. However, many people use the debt consolidation loan to pay on a debt which is overdue or a charge account which has reached its debt limit. Then they can again charge purchases on the account. Such a pattern can defeat the whole purpose of debt consolidation and leads to more serious difficulties.

5. It can act as a form of forced savings. Some people find it very difficult to save money even for a much desired purchase. They simply cannot put aside the required amount of money each month. Credit can be used as a type of forced savings in which the required payments force them to allocate the funds necessary to pay for the desired purchase. However, it must be realized that using credit in this way has two costs; the interest charged for the credit and the interest lost on the savings.

6. It can allow us to take advantage of sales and special offers. Often a product or service will go on sale when you are least able to afford it. Credit can allow you to buy at the temporarily low price, thereby resulting in a savings. Two cautions should be made here, however. First, the product should be one that you would be purchasing regardless of the sale. A bargain is no bargain if you really don't need the product. Second, you must ensure that the cost of the credit is less than the savings obtained. Otherwise, you end up spending more than you would have, had the product been purchased at its regular price.

7. It helps manage cash flow. Many people are paid irregularly or in widely fluctuating amounts. The use of credit, especially credit cards, can help them even out their cash flow and thereby make money management easier.

8. It can make recordkeeping more convenient. Many business people use credit cards partially because they are provided with a receipt for the purchases and a detailed statement of expenditures each month. In this way they can keep detailed, verifiable records for tax and expense account purposes. Consumers can also do this but they should balance any service charges or interest costs against the recordkeeping benefits obtained.

9. It acts as a hedge against inflation. High rates of inflation work to the advantage of a debtor and to the disadvantage of a creditor. If you borrow at 10% and inflation is running at 10%, the net interest cost is zero. If your income keeps up with inflation, this logic works best. Even so, paying back today's loan with tomorrow's eroded dollars can be a motivation for using credit.

D. Disadvantages of Using Credit

The advantages of credit which are listed above can form the basis of a sound argument for using credit. But, like any issue, there are two sides to consider. The other more negative side of credit usage is outlined below in the disadvantages of using credit.

1. Its costs. The use of credit always results in some costs. Even when borrowing from relatives, which can be free in terms of interest, there may be costs in terms of intra-family stress. The costs of credit usage fall into three categories. The first includes the obvious interest costs. The second includes less obvious financing costs. The third category includes the often overlooked opportunity costs.

    a. Interest is the amount the lender charges for the use of his money. Interest rates (stated in terms of true annual percentage rate) can range from a low of around 5% to a high of over 50%, depending on who is doing the lending.

    b. Many people fail to consider other charges which are often made for the use of credit. These can include charges for credit reports, credit life insurance, credit card membership fees, and even the postage used to mail the payments. These costs, while less than interest charges, still add up to a significant amount and would not enter the picture if credit were not used.

c. The concept of opportunity costs is somewhat subtle. Opportunity costs are difficult to understand because they do not represent out-of-pocket outlays. Instead they result because using credit in one time period limits a person's opportunities in a later period. An extreme example would occur if a person had used his Sears charge card to the point of reaching his credit limit. Since he must make payments to reduce the large outstanding debt, he is unable to use credit to take advantage of a sale at Sears. Thus, his opportunities have been limited.

2. It encourages impulse buying. The general availability of credit and credit cards makes it very easy for people to purchase goods and services on impulse. Little thought need be given to whether or not the buyer is able to afford his purchase. This impulsiveness is encouraged by advertising and can lead to excessive debt.

   In addition to causing excessive debt, the impulsive use of credit can be a cause of unwise purchases. Often consumers fail to take the time to carefully decide whether they really need the product, let alone whether they should be using credit to buy it. Even when the product is needed, the impulsive use of credit prevents adequate comparison between various makes and models, and stands in the way of searching for the "best buy."

3. It ties up future earnings. When a person uses credit, he is in effect spending income he has not yet earned. Thus, when that income *is* earned, the debtor will have no discretion as to what he can do with it. He will have given up the right to control how this future income can be spent.

   The lack of freedom which results from using credit can be seen clearly when it is remembered that it takes time to generate earnings. When a person takes on a debt, he pledges to spend whatever time is necessary to earn the income to pay off the debt. His time is no longer his own.

4. It can be habit forming. Often there is a sense of freedom and power associated with the use of credit and especially credit cards. By granting you credit, a seller is saying that he trusts you, respects you, and desires your patronage. This results in good feelings which you are likely to want to have continue. These good feelings act as positive reinforcement and can lead to the habitual use of credit.

5. The amount of credit a person can obtain is not infinite. In an earlier section it was mentioned that credit can be useful in emergency situations. This is true, but many people overuse credit to the point where they can no longer get more. At that point they forfeit their ability to use credit in an emergency.

E. Types of Consumer Credit

Basically there are two types of consumer credit; installment and non-installment credit. These two types differ in terms of the manner in which the debt is repaid. There are, however, a number of different types which although they fall into either the installment or non-installment category will be handled separately. This is because they are unique in terms of the way they are granted, their uses, and/or their payback methods.

1. Installment credit. The key feature which differentiates installment credit from the other types is the fact that installment credit is repaid at a fixed amount each month (or other period) until the debt is paid. These equal or near equal periodic payments are called installments. In addition, each issuance of installment credit represents a separate contract and requires a separate application.

   Installment credit can be used to borrow money (which is then used to buy goods and services) or to buy goods directly by promising to repay the seller over the agreed-upon time period. Examples of installment credit include auto loans, personal loans and home improvement loans.

2. Non-installment credit does not involve a series of fixed payments. Instead, the borrower either repays the loan in one payment or can decide on the amount to be repaid each period and on how long to take to repay the debt. Non-installment credit can be broken into several sub-categories.

   a. Single-payment loans are simply loans in which the borrower agrees to repay the entire debt plus interest at the end of six months, one year, or some other period of time.

   b. Charge accounts are a service offered by retailers and other sellers. Under a regular charge account, a customer is allowed to pay for purchases within thirty days. Usually there is little or no charge for this service.

      A revolving charge account is a variation of the regular charge account which offers the buyer two choices. He may pay the debt within thirty days without being charged interest or he may take longer to pay but will then be required to pay interest on the debt (usually 1 or 1 1/2 percent on the unpaid balance). Once a revolving account is established, the consumer need not reapply for credit. He simply asks that a purchase be placed on his account or, more frequently, presents a credit card which has been issued by the seller.

   c. Credit cards provide a form of credit which is very similar to a revolving charge account. In fact, credit cards issued by retailers serve the same purpose as a revolving charge account. Credit cards are also issued by banks (VISA and Master Charge) and by other organizations (Diner's Club and American Express, etc.).

With a credit card, a consumer is allowed to charge purchases and receive cash advances up to some agreed-upon limit. Each month he will receive a statement which lists his charges and payments during the period and the amount of debt outstanding. He may make any payment he wishes (subject to some minimum, usually $10) up to the total amount owed. He can continue to use the card as long as the total owed remains below the established limit.

3. Special forms of credit. The following types of credit are unique in some aspect from the usual examples of installment and non-installment credit.

   a. Service credit is used when paying utility bills. Although you use electricity daily, you are not required to make payment until up to a month or two later. Service credit is a form of non-installment, single payment credit. This credit is usually interest-free as long as the customer pays by a specified date.

   b. Checking account overdraft protection is another form of credit. Under this plan, the bank agrees to honor your checks even if there are insufficient funds in your account to cover them. In effect, they are loaning you the money needed to make the check good. This type of service is usually not free and interest is charged on the amount loaned.

   c. Electronic Funds Transfer (EFT) systems are another form of credit. At many banks the customer's money is deposited in a savings account. When checks are written (actually they are overdrafts) the funds are automatically transferred from the savings account to the checking account. In this way the customer earns a small amount of interest on the savings less any special charges for the EFT service.

F. Sources of Credit

Consumers are fortunate that there are many different sources of credit. This variety allows them to shop around for the credit terms which best fit their needs and financial situation. This section provides a listing of the major sources of consumer credit along with the limitations, costs, and most common uses of each. (Also see Chart 1 provided in the program plan for Section 3 - Effective Credit Management.)

The importance of shopping around for credit should be stressed. Substantial savings can be realized by choosing a loan which combines the most appropriate combination of the annual percentage rate (APR) and other credit terms. For example, a loan of $1,000 to be repaid in equal installments over a period of one year could cost $54.16 from a credit union (APR - 10%) and $130.00 from a small loan company (APR - 24%). These differences can be even greater for larger loans from other sources with different payback plans.

1. Retail stores provide credit as a service to their customers and as a way of increasing sales. Last year, J. C. Penney, Inc. reported that 42% of their total sales volume was credit sales. Both installment and non-installment credit plans are sometimes offered although revolving charge accounts are most common.

    a. Retail stores usually do not lend money directly to consumers. Instead they provide credit for use in purchasing merchandise the store sells. Usually the amount of credit which a consumer is granted is small.

    b. Retail stores usually charge an interest rate of from 1 to 1 1/2 percent per month on the unpaid balance after 30 days. This equates to an annual percentage rate (APR) of 12 and 18 percent respectively. It is possible for the store to make a higher rate of return on the credit than they do on the product itself.

    c. Retail credit can be very useful when an emergency purchase is necessary or to take advantage of a sale. Many people use a retail charge account because it is more convenient than carrying money. This convenience is not offset by any costs if the consumer pays for the charged goods within 30 days, thereby avoiding the interest charges.

2. Commercial banks are a very commonly used source of consumer credit. Most of their loans fall under the category of installment credit although the development of bank credit cards has increased their importance as granters of non-installment credit. In fact, fifty million Americans are currently holders of VISA cards.

    a. Banks are usually willing to loan fairly large amounts of money to those who meet their personal qualifications and represent an acceptable level of risk.

    b. Annual percentage rates can vary from 10 to 20 percent, depending on the type of loan being requested, and location and economic conditions.

    c. Banks provide a convenient source of credit for the purposes of obtaining relatively large amounts of money. They are often used to obtain funds for buying cars, boats, making home improvements, and other "big ticket" items. Banks are also a possible source of mortgage funds for home buying.

3. Travel and Entertainment Credit. As mentioned above, banks and retailers often issue credit cards in conjunction with their granting of revolving charge accounts. A third type of credit card is the travel and entertainment card. The main examples are Diner's Club, American Express and Carte Blanche.

    a. Issuers of these cards are highly selective as to whom they will grant credit. They not only want to insure the credit worthiness of the card holder, but they also want to make sure that the person is in a position to use the card extensively.

    b. Ideally, there is no interest charged by these lenders. They require that the entire balance be paid in full each month. If it is not, the account is declared in arrears and interest is charged. But this will not be allowed to continue for long. They also charge an annual membership fee of $30 or more.

    c. Travel and entertainment cards are accepted almost everywhere, including internationally.

4. Savings and loan associations were originally intended primarily as a source of mortgage funds. As time has passed, however, they have been willing to make loans for other purposes.

    a. Savings and loans are cooperative associations which use the savings of members to make loans to other members. A limitation of savings and loan associations is that they do not provide as complete a range of services as do commercial banks.

    b. The interest rates charged by savings and loan associtions are similar to those charged by banks and range from 10 to 20 percent (APR).

5. Credit unions provide loans to their members only. However, most people are eligible to join a credit union through their job, church, social organization or community group.

    a. Credit unions are usually limited in the amounts that they can lend. They tend to provide installment loans only. However, these limitations are not as common as they once were and some credit unions have even begun to approve mortgage loans.

b. Credit unions charge comparatively low interest rates. Annual percentage rates of 10 - 12 percent are common.

c. Credit union loans are available for most purposes as long as the amount desired is not great. An advantage to many credit union loans is that they can be repaid through payroll deductions.

6. Consumer finance companies, often called small loan companies, are controlled by state laws. Therefore, the services they provide and fees and interest they charge will vary from state to state. Some general statements can be made, however.

    a. Small loan companies usually have a low ceiling on the amount they can loan, such as $2,500 or $5,000. However, they tend to grant loans to higher risk borrowers. In addition, like banks, they often charge interest penalties for early repayment. These penalties are figured according to the Rule of 78's. This Rule uses a complex formula which insures that most of the interest charges are paid by the first few payments. When an early repayment is made the "excess" interest which had already been paid is not refunded.

    b. The interest rates charged by these lenders are usually high. Annual percentage rates of 24 to 36 percent are typical, and they range from 16 to 48 percent.

    c. Small loan companies often provide loans for personal or household uses and for the purchase of automobiles. A large percentage of their loans are used for debt consolidation purposes. As their frequent advertising states, they will provide loans for any worthwhile purpose. They can have harsh debt collection practices.

7. Sales finance companies do their lending through retailers who are unwilling or unable to provide credit themselves. The credit is granted for the purchase of a specific product and the arrangements are usually made by the seller. The primary benefit provided by this credit source is convenience.

    a. Sales finance companies do not lend cash. They finance purchases and the item purchased serves as the collateral on the loan.

    b. Interest rates charged by these credit sources are fairly high, falling between the rates charged by banks and those charged by small loan companies. Most consumers should be able to obtain better rates from some other source of credit.

    c. Automobiles constitute the bulk of the purchases financed by sales finance companies. Higher risk customers who cannot obtain credit elsewhere are often able to obtain credit through these companies.

8. Life insurance companies will lend money at low rates to holders of permanent life insurance.
    a. The amount of the loan is limited by the cash value which has built up under the borrower's policy. In addition, the face amount of the policy is reduced by the amount of the loan which is outstanding should the policyholder die.
    b. The interest rates charged tend to be very low. Annual percentage rates of 5 to 7 percent are common on already established policies.
    c. Life insurance loans can be used for any purpose. There is no specific payback arrangement and interest is charged only for the period the money is borrowed.
9. Pawnbrokers provide loans in amounts based on the value of the item pawned. This value is set by the pawnbroker and tends to be low.
    a. Usually, when collateral is required for a loan, the borrower may keep the collateral in his possession. This is not the case for pawnbroker loans. The pawnbroker takes physical possession of the pawned items and may sell them if the loan is not repaid within a specified period of time.
    b. Pawnbrokers charge extremely high interest rates. Annual percentage rates of from 24 to 48 percent are typical.
    c. Pawnbrokers' loans can be used for any purpose. Pawnbrokers will loan to anybody and a high percentage of the loans are never repaid. They recover their losses by selling the pawned items.

G. Credit Records

Whenever anyone applies for credit, they will be judged as to their credit worthiness. The lender will want to assess the borrower's credit history (if any) and their current financial condition in order to determine the prospects for repayment. Consumers should understand the factors upon which they are being judged and how they can establish and maintain a good credit record. This section will help provide such an understanding.

1. The Five C's of Credit. Lenders look at several criteria when deciding whether to grant someone credit. The relative strength or importance of each criterion will depend on the circumstances of each case, but each has a bearing on the decision to grant credit.

   a. "Character" relates to the applicant's basic honesty and reliability and the importance he attaches to repaying his debts.

   b. "Capacity" reflects a borrower's ability to repay the debt out of current earnings. The focus is on the amount and reliability of the applicant's income. The amount of debt which the applicant currently owes is also considered to determine if they have already reached or exceeded their debt capacity.

   c. "Capital" measures a person's net worth to determine if they have accumulated enough things of value to support their debts.

   d. "Collateral" refers to the item or items which could be used as security for the debt.

   e. "Conditions" refers to the general economic conditions. During a recession or a period of tight money, a lender may be unable to make the same type and magnitude of loans that he would during better economic times.

2. Evaluating a person's creditworthiness can be a difficult task because many of the decision factors are subjective in nature. In order to make the process more objective, many lenders have developed a point system for use in evaluating applicants. Applicants are given a total point score based on how many points they receive on several categories which indicate low credit risk. These categories can include occupation, time at present address, income and credit references. The specific categories and the maximum number of points which can be gained from each varies from system to system.

   After an applicant's point total has been calculated, it is compared with some established guidelines for granting credit. If the individual's total exceeds the level established for the automatic granting of credit, his application is approved. If his total is lower than some minimum, his application is denied. Those applicants whose point total falls between the level required for automatic acceptance and the minimum required are given further consideration, possibly based on criteria not measured by the point system.

3. Establishing and maintaining a good credit record. Lenders require that credit applicants provide them with information about where they live and work, their income, their credit references and personal information. However, they don't rely solely on

information provided by the applicant. They can also ask for a credit report on the applicant from the local credit bureau.

These credit bureaus serve as clearinghouses for credit information on just about everyone who has ever applied for or used credit. They collect information from various sources and then disseminate it to lenders for a fee. The credit reports that they provide serve as the basis for a person's credit record. By using credit wisely and by ensuring that the information in the report is accurate (see Fair Credit Reporting Act below) a consumer can establish and maintain a high credit rating and ensure his ability to obtain credit when needed.

a. The first step in establishing a credit record is to use credit, even if in very small amounts. This will establish a credit history which will serve as the basis for the credit report. Local retailers and gasoline companies will often grant credit with minimal credit history if the borrower's income and other factors are satisfactory. People who attempt to obtain large loans without having established a credit history will meet with little success.

b. Once a good credit record has been established, it must be maintained. The key elements are not what should be done but what should not be done. Consumers must avoid late payments, repossessions, defaults, garnishments, and other credit problems.

H. Credit Rights and Responsibilities

Since the late 1960's, several laws have been passed which were designed to protect consumers in their dealings with creditors. Each of these laws confers some rights on consumers. However, there are also some responsibilities which go along with the rights. This section will discuss each of the new laws and include a discussion of consumers' responsibilities in regards to credit usage.

1. The Truth-in-Lending Act (TIL). This law, passed in 1968, is basically a disclosure law. It requires that lenders provide credit applicants with specific information on the cost of the credit to be granted. In addition, the law regulates how credit terms (interest rates, finance charges, etc.) may be advertised and it sets limits and conditions on wage garnishments. Major provisions of the law are:*

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*Much of the TIL discussion is taken from a booklet entitled "Truth in Lending: Regulation Z". The booklet goes into much more detail and contains amendments to the law which were effective October 28, 1975. A free copy may be obtained by writing to the Board of Governors of the Federal Reserve System.

a. The most important provision of the law is the requirement that specific information must be disclosed on the credit contract. The disclosure statement must include two figures which can be very helpful when comparison shopping for credit. The first is the Finance Charge, which includes the interest plus any other required charges. This finance charge tells consumers exactly how much extra they are paying for the privilege of using credit.

A second bit of information which must be disclosed is the interest rate stated in terms of the true Annual Percentage Rate (APR). There are many ways of figuring interest rates, but the APR is the most accurate. The Truth-in-Lending law requires that only the APR may be used on the credit contract, in advertising and in any communications with borrowers. The importance of the APR is that it provides a quick, convenient way of comparing the relative cost of various credit alternatives.

b. Although the finance charge and the APR are most important when comparing various credit opportunities, other information is disclosed under the law. Creditors must specifically disclose the principal of the loan, the down payment (if any), the amount financed, the various components of the finance charge, the amount of the periodic payment and the number of payments. This information can also help consumers choose the credit alternative which best fits their needs.

c. Amendments to the TIL Act also protect against unauthorized use of a credit card. If a card is lost or stolen. the maximum amount that the owner will be held responsible for in charges made by another is $50. If the owner notifies the issuer of the loss or theft, he will only be responsible for those charges made before the notification and still only up to the $50 maximum.

d. The law also prohibits card issuers from sending a credit card to a person who has not requested or applied for it.

e. The TIL regulates the advertising of credit terms. If any feature of credit is used in an ad, all other important terms must also be included. Thus, if the advertiser says "Only $12 per month," they must say for how long the payments will continue, the amount of the down payment, the APR and the Finance Charge.

f. The law also provides a three-day cancellation period for credit transactions which involve a second mortgage on a home. You have the right to cancel (in writing) any such credit contract within three business days. The lender must notify you in writing of this right to cancel.

g. The TIL also regulates the use of garnishment by a creditor. It places limits on the amount which can be withheld from the borrower's pay (25% of weekly take-home pay or 10 times the federal minimum wage, whichever is lower) and prohibits employers from using garnishment as a reason for discharging an employee.

2. The Fair Credit Reporting Act (FCRA), which was passed in 1971, regulates the practice of credit bureaus. Below are some of the act's major provisions.*

   a. If you are denied credit on the basis of a credit report, you must be informed of the name and address of the credit bureau which provided the report.

   b. Upon your request, you must be allowed (within 30 days) to visit the credit bureau and be told of the information in your credit file. They need not show you your file but must tell you what is in it. If you want to check on your file because it has been the basis for a denial of credit, you do not have to pay for the privilege. However, if your request is simply a general request for information, you may be charged a small fee of from $3 to $10.

   c. You must be told who has received a copy of your report within the previous six months.

   d. If there is incomplete or incorrect information in your file, you may have the information re-investigated. If the information cannot be verified or is found to be inaccurate, it must be removed from your file. In addition, anyone who has received the incorrect or incomplete information in the past, may be notified (at no cost to you) of the removal of such information.

   e. In the event that you disagree with the results of a re-investigation, you have the right to have your version of the dispute (up to 100 words) placed in your file and included in future reports.

   f. The law also requires that your file, and reports about you, contain no adverse information that is over seven years old. The only exception is information about bankruptcies, which may be reported for up to 10 years.

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*For a more detailed discussion of the FCRA you may obtain a copy of "FTC Buyer's Guide No. 7, Fair Credit Reporting Act" from your local Federal Trade Commission office.

3. The Fair Credit Billing Act (FCBA) was passed as an amendment to the Truth-in-Lending Act and became effective October 28, 1975. The law regulates the billing procedures used by issuers of credit cards and grantors of revolving charge account credit. In addition, the law sets up procedures by which billing disputes are to be resolved. What follows is a discussion of the major provisions of the law.*

    a. A consumer may dispute a billing error by submitting a written notice of the error to the creditor within 60 days after receiving the first statement containing the error.

    b. Consumers may withhold payment without penalty for that portion of their total bill which is attributable to the error. If the bill turns out to be not in error, he will be required to pay any accrued finance charges. If there is an error, he will be excused from paying that portion of the billing which is in error, and will be allowed the normal repayment period when repaying the correct portion of the bill.

    c. Consumers must be sent a statement for any billing period in which their balance exceeds one dollar. The statement must include information as to the period in which payment can be made without incurring a finance charge (must be at least 14 days after the date the bill is mailed), the method used in determining the balance owed (three methods are used: the previous month's balance, the average daily balance, and the ending balance. Of the three, the ending balance method is the least expensive, but the average daily balance is most common among major creditors and is the fairest to all parties involved), the minimum payment which is required, a statement of the customer's rights under the FCBA, the APR and several other bits of information. (See "Truth in Lending: Regulation Z", page 81.)

    d. Payments must be credited on the day received, unless later crediting would not result in extra charges.

    e. The law allows the granting of discounts to cash customers. Few retailers do this, but it never hurts to ask.

4. The Fair Debt Collection Practices Act, which was passed in 1978, regulates the procedures which can be used by companies who

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*This information is based on two booklets: "The Fair Credit Billing Act" available from the FTC and "Fair Credit Billing", available from the Board of Governors of the Federal Reserve System, Washington, DC 20551. An even more detailed outlining of the FCBA is given in the booklet "Truth in Lending: Regulation Z" mentioned earlier.

specialize in collecting debts for others. However, it regulates debt collection agencies only; not the creditors themselves who may handle their own debt collection efforts. Major provisions of the law state that:

a. Collectors may not impersonate police officers, government officials, or lawyers. They may not call you at unreasonable hours or at work if your employer objects.

b. Collectors may not threaten or harass debtors or use intimidating language.

c. Collectors must provide written notification to debtors within five days of their first contact of the amount of the debt and to whom it is owed.

d. Debtors have thirty days to dispute the debt and if they do, the collection agency must verify the debt with the creditor and provide the debtor with a copy of the written verification.

5. The Equal Credit Opportunity Act was passed by Congress in 1975. Its primary thrust was to prohibit discrimination in the granting of credit. Listed below are several of the major provisions of the law and its amendments.*

   a. Before you apply for credit, a creditor cannot discourage you from applying for credit because of your sex, race, age, religion, marital status or because you receive public assistance.

   b. When applying for credit, a creditor must not ask your sex, race, national origin or religion. He must not ask your marital status unless you are opening a joint account or unless you live in a community property state. Creditors may not ask about your plans for having or raising children. Creditors may ask if you receive alimony, child support or separate maintenance payment but only if they first state that you need not answer if you do not wish to have that income included as a basis for making the credit granting decision.

   c. Creditors may not base their decision on your sex, marital status, race, national origin or religion.

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*This discussion was adapted from the booklet Equal Credit Opportunity Act published by the Federal Trade Commission. For a free copy, write the FTC at Federal Trade Commission, Legal and Public Records, Room 130, Washington, DC 20580.

He may consider your age if you are under 18 or over 62, but only to the extent that your age gives an indication that your income may soon change.

d. When evaluating your income, a creditor may not refuse to consider public assistance payments or discount your income because of your sex or marital status. Creditors must consider income received from part-time jobs, a pension, alimony, child support, and separate maintenance if you elect to report it on the application. They may ask for proof that such income is actually being received.

e. You have the right to have credit in your maiden name, to have a co-signer other than your spouse, and to keep your own accounts after marriage. You also have the right to be notified of the decision made on your application within 30 days and if rejected, be told within 60 days and upon your request of the specific reason(s) for the rejection.

6. Consumer rights carry with them corresponding responsibilities. While these responsibilities can be as specific as the many rights that exist, they can be grouped in several categories.

   a. Consumers have the responsibility of keeping themselves informed as to their rights.

   b. Consumers have the responsibility of exercising their rights.

   c. Consumers have the responsibility of complaining when their rights are violated. Apathy will only encourage unscrupulous creditors to continue their policies.

   d. Consumers have the responsibility to search for and choose credit alternatives whose terms (APR, Finance Charge, down payment, etc.) are most appropriate to their needs and budget constraints.

   e. Consumers have the responsibility to use credit wisely and avoid the overuse of credit.

Suggested Program Plan

Section 3. Effective Credit Management

Materials Needed: Overhead projector and screen for showing transparencies of the outline, objectives, and charts. Or sufficient copies to pass out one to each participant. Chalkboard and chalk.

INTRODUCTION

Notes on Activities	Time	Activity
Before discussing the outline and objectives, pass them out to the group or show them as transparencies. Read and be familiar with the background material on credit management.	4	Begin the session by stating briefly your objectives as group leader for the credit management section. Then go over the objectives and outline for this Section. These can be found at the beginning of Section 3 in the background material.

DEFINITION OF CREDIT

Notes on Activities	Time	Activity
You may want to write all or parts of the participant's definitions of credit on the board.	3	Credit Defined. "Before we can begin talking about credit we should make sure we have all agreed on what credit is. Who can define credit for us?" Discussion of various definitions of credit.
Write definition on the board or transparency film.		"For our purposes we want to define credit very broadly. We will define credit as any instance in which a person obtains money or goods or services without being required to make immediate payment. When we define credit in this way we can see that credit is used very often and that it is essential to the operation of our economy."

ATTITUDES TOWARD CREDIT

Notes on Activities	Time	Activity
Regardless of how much or often people use it they will have certain attitudes towards credit. This exercise is intended to provide them with	6	Discussion of attitudes toward credit. Begin by going over briefly some of the attitudes towards credit which are given in the background materials. Then ask participants what attitudes they have

Notes on Activities	Time	Activity
a chance to air and evaluate their attitudes.		concerning credit and credit usage.
		Discussion.
		End the discussion by stating that: "Regardless of what attitudes we have towards credit, we must make sure that our behaviors are consistent with our attitudes. If we realize that credit is just another tool that we can use to reach our goals then we are in a position to make credit decisions which take into account the advantages and disadvantages of credit."

ADVANTAGES AND DISADVANTAGES OF USING CREDIT

Notes on Activities	Time	Activity
Be familiar with the advantages listed in the background material. You may want to write the advantages on one side of the board and put the disadvantages on the other side as they are discussed.	5	Discussion of advantages of credit usage. "Let's look now at some of the advantages of using credit. By advantages I mean reasons for using credit, benefits that result from using credit, and other such positive aspects of consumer credit. I have several in mind but let's start by seeing how many advantages you can come up with."
		Discussion.
Make sure that the concepts of opportunity cost and loss of economic freedom are included in the disadvantages of credit. See background material.	5	Discussion of disadvantages of credit usage. "As with everything else, the use of credit has disadvantages as well as advantages. What are some of those disadvantages?"
		Discussion.
	2	Summary of advantages and disadvantages of credit use. "Now that we have a fairly complete list of the advantages and disadvantages, how can we answer the question: Do the advantages of using credit outweigh the disadvantages?" After a brief discussion, the answer, "it all depends on the circumstances," should emerge.

Notes on Activities	Time	Activity
		"These circumstances include interest rates, why credit is being considered, the goals of the people involved, the financial status of the applicants, and much more."
		TYPES OF CREDIT
Be certain that you are familiar with Section 3, Part E in the background material. You may want to write the underlined terms on the board along with a short definition as you are speaking. This will break up what would otherwise be a steady stream of information.	5	Description and discussion of installment and non-installment credit. "Basically there are two types of credit; installment credit and non-installment credit. Installment credit is so named because it is repaid in a series of nearly equal payments or installments. Each time a person wants to use installment credit he makes a separate application and signs a separate contract. Installment credit can be used to obtain cash or to finance purchases." "Non-installment credit differs from installment credit in that it is not paid back in a series of nearly equal payments. One example of non-installment credit is called single payment credit because it is paid off in only one payment." "Charge accounts at stores are another type of non-installment credit. Once a charge account is opened credit need not be applied for each time the account is used. There are two kinds of charge accounts; regular charge accounts and revolving charge accounts. With a regular charge account a store will allow you to make purchases on credit. At the end of the month you will be billed for and must pay for all the items charged during the month. A revolving charge account is similar to the regular charge account. The difference lies, primarily, in the fact that with a revolving charge account you need not pay the entire amount due. You may pay any amount between some minimum and the entire amount owed. Usually there is a maximum that you are allowed to owe at any one time. Interest is charged on the amount owed." "Credit cards represent a type of non-installment credit which is very similar to

Notes on Activities	Time	Activity
		a revolving charge account. In fact, credit cards issued by retailers serve basically the same purpose as a revolving charge account. Credit cards are usually used to make purchases although cash advances can be obtained through bank and travel credit cards."
		To make these credit classifications more clear, ask the group if they can suggest examples of: A. Installment Credit B. Non-installment Credit 1. Single payment credit 2. Revolving charge accounts 3. Credit Cards a. Retail b. Bank c. Travel
	SOURCES OF CREDIT	
Pass out copies of Chart 1 or show it as a transparency.	1	Discussion of the various major sources of credit. "In addition to there being many types of credit, there are also many sources of credit. Whenever you want to use credit, you should attempt to borrow from the source of credit which best fits your needs and which costs the least. This requires that you do some shopping around for credit." "Chart 1 lists some of the major sources of credit, their cost and conditions, and other relevant information. Let's take a few minutes and go over the chart."
Encourage questions and comments.	6	Discuss Chart 1 emphasizing that the chart provides only general information and does not contain all the information they might need. Encourage questions and comments.
	1	"Just from this brief discussion I think you can see that each credit source can meet different needs at different costs to you, the borrower. This variety allows you to shop around for the credit terms which best fit your needs and financial situation. Substantial savings can be realized if you shop around for credit.

Notes on Activities	Time	Activity
		A $1,000, one-year loan from a credit union can cost around $55. Yet the same loan can cost $130 from a small loan company. I am sure that you could find a better use for the $75 difference between the two loans."
		CREDIT RATINGS
Refer to background material. Write the 5 C's on the board.	2	Discuss the 5 C's of credit. "When you apply for credit the decision to grant credit is based on five factors which are sometimes called the 5 C's of credit." Discuss each briefly. 1. Character 2. Capacity 3. Capital 4. Collateral 5. Conditions
	1	Evaluating credit applicants. "More and more today credit grantors are using a point system to evaluate credit applicants. What they do is assign numbers to various factors which they consider important. For example they may give a person 5 points for having a job, 3 points for having $1,000 or more in a savings account, and etc. Then they add up all the points and if the total is greater than an established minimum standard, credit is granted. This point system reduces the amount of subjective judgement and opinion that goes into the decision to grant credit."
It would be helpful to be familiar with the name(s) of the credit reporting bureau(s) in your area.	3	Credit Ratings. "So far we have been talking about the kinds of information credit grantors use and how they use it. Let me ask you this question: How do creditors get the information they use when evaluating applicants?" Get answers from the group. The two best answers are that the information comes from: 1. the credit application and, 2. from a credit report from a credit bureau. "I don't think we need to say too much about

Notes on Activities	Time	Activity
		credit applications but credit reports are important because they are sometimes misunderstood. Credit reports are provided to creditors by a local credit bureau. These credit bureaus serve as sources of credit information on just about everyone who has ever applied for or used consumer credit. These bureaus collect information from various sources including banks, stores, and neighbors in an effort to compile your credit report. The bureaus sell the reports to creditors for a fee." "You should understand that any negative experiences you have had with credit will probably be in your credit report. Thus, you will want to avoid late payments, reposessions, defaults, garnishments, and other problems. From a more positive point of view this means you will want to: 1. Make prompt, full payments 2. Notify creditors in advance when a problem occurs that will prevent prompt, full payment 3. Keep creditors informed of your whereabouts and financial standing when you are behind in your payments In this way you can minimize the amount of negative information which goes into your credit record and reports."
		CREDIT RIGHTS
Pass out Chart 2. Be familiar with the background material.	8	Recent consumer credit laws. "In recent years a number of laws have been passed which expand the rights of consumers in regard to credit. These laws have been very beneficial but if consumers do not know they exist and do not stand up for the rights which they have, the laws will not be nearly as effective as they could be." "The chart which I have just passed out lists some of the provisions of the major consumer credit laws which have been passed in recent years. Let's go over the chart."
Chart 2 obviously does not contain all of the information about the		Discussion of Chart 2.

Notes on Activities	Time	Activity
various laws. Expand and clarify the discussion using information from the background material.		
	CREDIT RESPONSIBILITIES	
	5	"Just like any other rights, credit rights carry with them certain responsibilities. These responsibilities help ensure that the rights are respected and honored. Let's take a few minutes to discuss some consumer responsibilities related to credit usage and the laws we have discussed. Who can give us one responsibility consumers have when using credit?"
Group members will probably provide specific responsibilities. The responsibilities given in the background material are more general in nature.		Discussion.
Make sure all of the general responsibilities are covered in the discussion.		
	SUMMARY AND CONCLUSION	
	3	"During this session on credit we have covered quite a bit of information. We defined credit, talked about our attitudes towards credit, and discussed the advantages and disadvantages of using credit. Then we discussed some more factually based topics such as the sources of credit and various credit laws. Are there any questions about what we have talked about?"
While these materials provide only one session on credit, a large number of questions might indicate the need for another session on one		Answer questions asked by participants.

Notes on Activities	Time	Activity
or more topics related to credit.		
		"If there were three things I would stress about the use of credit they would be the following: 1. Credit, while often very useful, carries with it considerable costs of which interest is only one example. 2. Consumers should be very careful to search for the most appropriate credit terms and sources and to always consider the alternative of not using credit. 3. Consumers have benefitted in recent years from a number of laws which have been passed which identify and expand their rights in regard to credit usage. These rights are uselsss however unless consumers take the responsibility for making sure they are respected."

EFFECTIVE CREDIT MANAGEMENT - CHART 1

SOURCES OF CONSUMER CREDIT

Common Credit Sources	Degree of Selectivity	Interest Rates (APR)	Common Requirements and Conditions	Common Uses
Banks-Installment Loans	Medium to highly selective	10% to 20%	Collateral and established accounts are often required.	Auto loans. Home improvement loans. Personal loans.
Credit Cards - Bank and Retail	Medium	1 1/2 per month. 18% per year.	Similar to a revolving charge account. Usually a credit limit is established.	To buy merchandise from honoring retailers. For cash advances.
Retail Stores-Installment Credit	Low to medium. They encourage credit usage	18% to 24%.	The purchased item serves as the collateral.	To buy more expensive items such as furniture and appliances.
Credit Unions	Medium although you must be a member.	10% to 12% is common.	They often use a payroll deduction as a means of repayment.	Auto loans. Vacations. Home improvements. Personal loans.
Consumer Finance Companies (HFC, etc.)	Low to medium. Will loan to those who may not be able to borrow elsewhere.	16% to 48%	Laws limit the maximum which can be loaned. Penalties for early repayment.	Vacations. Personal needs. Debt consolidation. Retail purchases.
Life Insurance Companies	Not applicable. Will only loan to owners of cash value insurance policies.	5% to 7%.	Payback plan is very flexible. The loan reduces the amount of coverage.	Will loan money for any purpose.
Sales Finance Companies (GMAC, etc.)	Medium to low. Consumers do not borrow directly but through retailers.	14% to 32%.	The item purchased serves as collateral for the loan.	To loan money to finance purchases from affiliated retailers.
Pawn Brokers	Low.	24% to 48%.	An item of value must be left as collateral and may be sold if not repaid.	Emergencies. Lender of last resort.

EFFECTIVE CREDIT MANAGEMENT - CHART 2

RECENT CONSUMER CREDIT LAWS

LAW	MAJOR PROVISIONS	MAJOR BENEFITS	PROBLEMS OR SHORTCOMINGS
Truth-In-Lending Act	Requires full disclosure of credit terms including the APR and Finance Charge. Also limits responsibility for lost or stolen credit cards; and garnishment.	Makes it possible for consumers to obtain accurate information to use when shopping for credit. Limits consumer responsibility for stolen cards.	Consumers must take the time and make the effort to use the information. Does not control interest rates. Errors in computing the APR have occurred.
Fair Credit Billing Act	Consumers may dispute credit card bills. Portions of a bill that are disputed need not be paid until the dispute is settled.	Provides a mechanism for resolving billing disputes. Allows the granting of discounts to customers who want to pay cash.	Consumers must save their credit card receipts. They must notify creditors in writing of errors. Very few sellers offer discounts for cash purchases.
Fair Credit Reporting Act	Requires that consumers be told what is in their credit file. They may ask that errors be reinvestigated and possibly changed.	Helps limit errors and omissions in credit reports. Provides a mechanism for handling disputed information.	Consumers must ask and sometimes pay for the right to be told what is in their file. They may not see the file or handle it.
Fair Debt Collections Practices Act	Debt collection agencies may not threaten, harass, or verbally abuse debtors. They may not impersonate officials. Allows for the dispute of debt.	Goes a long way towards eliminating the many abuses which had been common in the field of debt collections.	This law applies only to debt collection agencies, not to creditors who do their own debt collecting.
Equal Credit Opportunity Act	Creditors may not ask or use your sex, age, race or religion as a basis for granting credit. Upon your request, you must be told why you were denied credit.	Paves the way for many who in the past could not obtain credit. Allows wives to have credit accounts in their own name.	Many consumers do not know their rights under this law. Also, there are ways of getting around the law.

OBJECTIVES:

SECTION 4. THE EXTERNAL MONEY WORLD - THE MARKETPLACE

Major Objective:

To acquaint consumers with the nature of the conflicting goals of buyers and sellers and provide information that will help consumers obtain a more satisfactory resolution of the buyer-seller conflict.

Specific Objectives:

To specify the nature and consequences of the conflicting goals of buyers and sellers.

To describe why consumers are often at a disadvantage when attempting to resolve the conflicts in their favor.

To describe the impact of advertising on the resolution of the buyer-seller conflict.

To define the major problems consumers face when attempting to obtain satisfaction in the marketplace.

To instill a sense of consumer responsibility for solving consumer problems.

To provide consumers with information on how to go about obtaining redress in the marketplace.

Learner Competencies:

Specify the goals of sellers and the goals of consumers and how they sometimes conflict.

Specify why consumers are often at a disadvantage in the marketplace.

Specify techniques used by advertisers and how these can be resisted.

Specify the six broad categories of consumer problems.

Understand that consumers have responsibilities as well as rights.

Know the four basic paths to follow when seeking redress in the marketplace.

PROGRAM OUTLINE

Section 4. The External Money World - The Marketplace

A. The buyer-seller conflict
   1. The seller's goals
   2. The buyer's goals

B. Consumers are at a disadvantage. Why?

C. The impact of advertising
   1. Purposes of advertising
   2. The effect of advertising on life-styles, values and goals

D. Consumer problems
   1. Fraud
   2. Inequities
   3. Overwhelmingness
   4. Helplessness
   5. Ignorance
   6. Apathy

E. Solving consumer problems
   1. Consumer responsibilities
   2. By seeking redress

Section 4. The External Money World - The Marketplace

A. The Buyer-Seller Conflict

1. The seller's goals are to make a profit and stay in business. In order to reach these goals most sellers try to satisfy their customers.

    a. Sellers generally wish to charge the highest possible prices. This is not to say that they are free to do so. Competition and buyers' resistance serve to restrict the freedom of sellers to set high prices. Nonetheless, given an opportunity, a seller will charge the price which will maximize his profits.

    b. The level of value and service that sellers provide is limited by their concern for profits. Sellers do not wish to give up any more value and provide any more service than that which is considered fair in terms of the price being charged. Again, however, these desires too are offset by competition and consumer resistance.

    c. Sellers do not adhere to these values out of any desire to victimize consumers. These desires are the natural outcomes of the very reason for going into business: to make a profit.

        Thus, sellers simply want to stay in business and maximize the return on their investment. In our economic system we recognize that the desire for profit can have a beneficial effect on efficiency and productivity. We condone such desires while at the same time we try to limit the extent to which sellers can maximize profits. Consumers play a key role in this limitation effort.

2. The consumer's goal is to obtain maximum satisfaction at low prices.

    a. The goals of consumers are basically the opposite of those of sellers. Given a choice between identical products, a consumer will pick the one which is least expensive. Thus one of the consumer's goals is to pay as low a price as possible.

    b. Consumers also wish to obtain the highest possible value, quality and service for their money. They often expend a good deal of effort attempting to obtain these things. At first glance it would appear that these quality goals conflict with the goal of paying a low price. Careful thought will reveal that consumers wish to achieve both goals. However, they cannot because sellers are attempting to reach their own goals. The result is some trade-off between the desire for low prices and the desire for high quality.

3. When conflict arises between sellers and consumers it is the natural result of their opposing goals. Several consequences of these conflicting goals can be seen.

   a. A major consequence of the conflict is the setting of prices. At a low price, buyers would demand a large quantity of a product while sellers would want to supply a small quantity. At a high price, the opposite is true. As a result, the price tends to be set where the quantity supplied nearly equals the quantity demanded.

   b. The setting of price is very important in our economy. Once a price has been established, a number of other questions can be answered. The price level helps decide what, how many, where, and to whom products will be sold.

   c. In general, neither side is ever completely satisfied and both buyers and sellers accept less than total satisfaction. A compromise of sorts is reached but like many compromises, one side may have an advantage or be in a better position to achieve its goals. A purpose of this module is to help consumers increase their relative strength in order to maximize their ability to reach their goals.

B. Consumers at a Disadvantage

Consumers are often at a disadvantage when trying to resolve the buyer-seller conflict in their favor. Why?

1. Consumers are amateurs and have had limited training in buying skills. Only in the last ten to fifteen years have there been major efforts to implement consumer education. What skills consumers do learn are typically either gleaned from experience or from other consumers who are themselves amateurs.

2. Sellers are professionally trained to do their job well. Often business people are college graduates. In addition, companies spend considerable effort to train their employees to be more effective.

3. Buying is not a "full-time job" to most consumers. The demands of work and play limit the amount of time consumers can or wish to spend on buying efforts.

4. Sellers devote full-time to the achievement of their goals. A salesperson at an auto dealership may talk to fifty prospective customers per day. It isn't long before they develop a good

deal of expertise on how to persuade people to buy. A consumer, on the other hand, will probably talk to an automobile salesperson only a few times over a period of several years.

5. Consumers rarely communicate with more than a few sellers at a time. Thus, they are unable to make offers to buy which many sellers will see. These limited contacts make it less likely that they will obtain the best bargain available.

6. Through advertising, sellers can reach large numbers of prospective customers. Thus, even if their offer is unattractive to a large percentage of consumers, there will still be many who wish to buy what is being offered.

7. Consumers often face a lack of information on which to base their buying decision. Many advertisements or product labels serve more to confuse and hide information than they do to enlighten. Product information sources such as Consumer Reports reach far too few consumers.

8. Sellers have extensive information at their disposal. Through market research, sellers are able to determine how to best design their sales efforts.

9. Consumer concerns are often transient in nature. Many products are bought infrequently. Many consumer problems occur infrequently to any one consumer. This rarity and short duration of consumer problems and purchase efforts results in little opportunity or incentive to improve buying skills.

10. The sheer size of many businesses gives them an advantage. Consumers often feel intimidated and powerless when having to deal with a large bureaucracy. Further, it is often difficult to get a complaint through to the appropriate person within a large organization. On a more national scale, there are those who would argue that the size of many large corporations gives them undue power in the marketplace. These large corporations are in a position to exert control over prices and to control the quality of product and services. They are also able to wield considerable political influence, thus affecting consumer protection legislation.

11. Consumers have human fears, weaknesses, and desires which can be exploited by sellers. Desires for social approval, recognition, and love often are exploited by sellers, especially in advertising. Products such as cosmetics, life insurance, funerals, and cleaning products are often sold on the basis of emotional rather than rational appeals.

C. The Impact of Advertising

Advertising is one of the most effective tools used by sellers for achieving a resolution of the buyer-seller conflict which is favorable to their goals and interests. The issue of whether advertising helps or harms consumers is very complex. Examples of positive and negative aspects of advertising can be used to support arguments on both sides of the issue. The truth lies somewhere in the middle with advertising having both a positive and a negative impact. Consumers must learn to use what is positive, avoid what is negative, and discriminate between the two.

1. Sellers use advertising for several purposes which can have both positive and negative aspects when viewed from the consumer point of view. Chart 1 lists several such purposes and their impact on consumer well-being.

2. The effect of advertising on life styles, values, and goals. Advertising has become a powerful, persuasive force in our society. Its influence has spread beyond the economic sphere to include social and psychological aspects as well. This expansion in the influence of advertising has been especially aided by television and is the natural result of sellers' attempts to promote consumption as a basic fiber in the fabric of life.

    a. The so-called "good life" is a recurring theme of advertising. Slogans used to sell many products imply that only the "best" will do, that we deserve luxury and abundance, and that high levels of consumption are the key to happiness. Even when consumers fail to accept the value of the product being advertised, they often accept the underlying theme that consumption is the means to a satisfying life.

    b. Many ads emphasize the purchase and use of products as the means through which problems are "solved." These ads begin by describing a problem. They then show how the product solves the problem. The extensive use of this technique often leads to a stimulus-response type of reaction such that when a problem occurs, consumers think of spending money, buying a product, or taking a pill in an effort to reach a solution.

    c. Advertising often tends to present a distorted view of the make-up of the population. Actors in ads tend to be young, affluent, attractive, and friendly. Thus, feelings of frustration, inadequacy, and inferiority can be induced in those people who in some way don't fit the advertising model.

    d. Because advertising is a human endeavor, its content will reflect values and attitudes and goals. There

(Text continues on page 175.)

Chart 1: Uses of Advertising and Positive and Negative Aspects of Each

Positive	Negative
a. Sellers use advertising to inform.	
Consumers need product information and advertising can help provide it. Such information as price, product features, product uses, etc. are often provided by ads.	Information which is false, misleading or incomplete can often be found in advertising. A particular problem exists with irrelevant product information which serves only to add to the confusion.
b. Sellers use advertising to lower marketing costs and increase sales.	
Often, advertising is less expensive than other selling techniques. If this is so and the lower costs are reflected in lower prices, consumers will benefit. Consumers can also benefit from increased sales if such increases lead to economies of scale which are passed on to the consumers.	It can be argued that instead of lowering marketing costs, advertising frequently raises them. This can occur when two sellers compete on the basis of advertising and an escalating war erupts. An example which is often used is laundry detergents which are heavily advertised with little or no informational benefit to consumers who ultimately pay for the cost of the advertising. The lower cost of "private label" products is partially the result of the fact that they are not heavily advertised.
c. Sellers use advertising for product differentiation.	
Advertising is often used to point out differences between the product being advertised and competing products. This can be helpful to consumers if the differences are real and meaningful. If so, consumers are able to choose a product which best fits their needs.	Product differentiation yields negative results when the differences between products are minor. This results in consumers paying for advertising which yields little valuable information. Furthermore, to the extent that consumers believe false claims of product differences, they will be persuaded to buy a product which may not fit their needs.
d. Sellers use advertising to build brand and product image.	
Advertisers strive to associate their product with images of quality, happiness, sophistication, efficiency, etc. These efforts	Images are often difficult to define and objectively measure. They tend to be oversimplified generalities. A product which

Chart 1 (Continued)

Positive	Negative
yield little benefit to consumers unless the image evoked is accurate. Then consumers are able to rely on that image when making purchase decisions.	has an image of efficiency will not be equally efficient for all uses. Consumers who rely on brand images are likely to base purchase decisions on insufficient information. Image building is harmful to the extent that it stands in the way of consumer decision making based on meaningful attributes.
e. Sellers advertise in order to maintain product recognition.	
Often advertising is geared solely towards keeping a brand name in the public eye. Soft drink ads are a prime example of this. Little or no information or differentiation is provided by such ads. If such ads lower selling costs or keep sales at a high level, they may have the benefit of lowering prices.	Product recognition ads are of little benefit to consumers. They serve to maintain the status quo and can inhibit innovation. In addition, their cost is passed on to consumers in the form of higher prices.

is no question that many of the values, attitudes and goals inherent in advertisements are held by many consumers. Nonetheless, we can't overlook the fact that it is sellers who pay for, design and present ads. Thus, it is their beliefs about what society is and should be which are presented. Consumers must recognize and evaluate not only the specific appeals of advertising but also the more subtle themes which influence values and goals.

3. Resisting advertising appeals. Many people claim that they are able to resist advertising appeals and influences. They often point out examples in which they decided against the purchase of a product in spite of its advertising. However, if they look very closely at the products which they do purchase, they will frequently see some subtle and some not so subtle advertising influences at work. Several points can be made to support the effectiveness of advertising and the difficulty of resisting its appeals.

   a. An obvious point is that if advertising wasn't effective, sellers wouldn't use it. Sellers know that even a simple ad, designed to build product recognition, can often generate sales.

   b. Advertising is both persuasive and subtle. We are exposed to ads almost continuously and in most cases we are not consciously aware of them. But, because ads are subtle, they need not be consciously perceived in order to be effective.

   c. Advertisers are experts in human nature and what motivates people to buy. They know how to overcome buyer's resistance to ads, and can turn resistance into acceptance. The idea that advertisers are stupid because some of their ads appear stupid is fallacious. They know what they are doing.

4. Common Advertising Techniques. Taking advantage of the beneficial aspects of advertising and resisting its negative aspects requires careful thought on the part of consumers. A key factor is the ability to recognize various techniques used by sellers to promote their products and services. What follows is a brief discussion of some of the games advertisers play.

   a. Invalid or meaningless comparisons. Advertisers often claim that their product is "twice as strong as" or "10% larger than" something else. These are meaningless figures unless you know what the product is being compared with. Often the comparison is made against an older version of the same product which says nothing about how it compares with its competition.

b. The "We're concerned about you" claim. Advertisers will claim that they are safety conscious because they have provided energy-absorbing bumpers or some such feature. In many cases these features are legally required and probably would not be available if the law was not in effect. What these sellers are doing is saying that they should be commended for obeying the law. Big deal!

c. Glittering generalities. Throughout history, sellers have claimed that their product is "best," "easiest to use," "longest lasting," or some such claim. This "puffing" is simply their attempt to describe their product in a positive way. Buyers should avoid making decisions based on such vague and self-serving claims.

d. Repetition. Repetition is often used to legitimize glittering generalities. If an advertiser claims often enough that their product "tastes just like the high-priced spread," eventually many people will believe it.

   Repetition is also used to keep a product's name in the consumer's mind. The "Don't squeeze the Charmin" slogan has been used for years as a means of keeping the Charmin bathroom tissue name familiar.

e. Traditional testimonials. This technique uses a "typical" housewife or car owner, etc. to attest to the value of the advertised product. The impression given is that the person has used the product and was happy with the results. In most cases, the person giving the testimonial is an unknown actor or actress who is being paid for their services. Even when the person is truly someone who has used the product, all they are stating is their opinion. They are certainly not experts.

f. Name testimonials. Little need be said about this technique. Advertisers take advantage of the prestige and/or trustworthiness of some celebrity in order to help sell their product. The hope is that consumers will rely on the testimonial rather than objectively evaluate the product. Consumers must ignore the recommendation and evaluate the product on its own merits.

g. Half-truths. Some pain relievers claim to have more of the pain reliever doctors recommend most. That sounds good, but the full story is that the pain reliever doctors recommend most is simple aspirin.

h. The big lie. A number of products (notably Listerine and Geritol) have in the past been advertised so as to provide benefits which they simply could not provide. Regrettably, these instances are not always discovered and stopped, although the government has forced changes in both the Listerine and Geritol ads. Consumers must develop a healthy skepticism for advertising claims.

i. Erroneous cause and effect. With this type of an appeal, an advertiser will claim use of his product will prevent a problem from occurring or will have a certain positive effect when in fact it will not. An example is a Prestone anti-freeze commercial which was aired in the winter of 1977-78. The ad showed a car driver who was unable to start his car because he failed to install Prestone anti-freeze. The truth is that failing to use anti-freeze will not prevent a car from starting.

j. Differences between the verbal and non-verbal messages. Desenex has recently advertised that "Nothing beats Desenex" in fighting athletes' foot. The literal truth of the verbal message is valid; you would be just as well off using nothing. The non-verbal message shows people using Desenex with satisfaction, thereby giving the impression that you could do no better than to use Desenex. Which of these messages is true?

k. Image vs. Product Attributes. The soft-drink industry (especially for cola products) uses this technique quite frequently. Rather than simply tell about their product, they show it being used as part of some friendly, fun-filled social gathering. Consumers then associate the product with fun and good times.

D. Consumer Problems*

Consumers are faced with many problems when attempting to obtain maximum satisfaction in the marketplace. While it would be impossible to list all the individual problems consumers face, several categories encompass most of the specific problems consumers face. These categories of consumer problems are fraud, inequities, overwhelmingness, helplessness, ignorance, and apathy.

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*The substance of the discussion of consumer problems is derived from E. Thomas Garman and Sidney W. Eckert, The Consumers World, 2nd Edition. New York: McGraw-Hill Book Co., 1979, pp. 1-14.

1. Fraud involves deliberate misstatements, misrepresentations, or omissions which are used to induce consumers to take an action which results in financially harmful circumstances. Although outright fraud is not common (because there must be intent to defraud), the losses involved can be serious.

   Most cases in which a sales transaction results in negative financial consequences for consumers are not actually considered fraud. Many fall just short of fraud in the eyes of the law and are considered deceptive practices. Often times the way in which the product or service is being offered to the unknowing consumer is deceptive because it does not tell the whole truth. Misrepresentation is a problem since it includes a false statement of fact made innocently and without intent to deceive. Misleading statements can be a problem because although the statement is true, it is confusing and unintentionally misleads consumers.

   In summary, the problem of fraud is really a continuum ranging from legally defined fraud, through deception and misrepresentation, to misleading statements.

2. Inequities occur when one consumer or group of consumers are unable to take advantage of sales, bargains, or other opportunities that are available to other consumers. A prime example of inequities are instances of racial discrimination in housing. Another case of inequity occurs because minimum amounts are often required to qualify for certain types of high-return savings accounts. Small savers cannot take advantage of these opportunities.

   What is true with deceptions, misrepresentations, and fraud is also true with inequities: Consumers need to be aware of the areas in which they are being taken advantage of, and must take action designed to eliminate the inequities.

3. Overwhelmingness as a consumer problem results from the sheer volume of products, services, and information available to consumers. Supermarkets often have over 10,000 items for sale. This variety is appreciated by most consumers, but the lack of standardized package sizes, the large number of brands, and the absence of uniform, accurate unit pricing are not appreciated. Currently taxes are receiving a great deal of attention for their overwhelmingness. In theory, more and better information should provide a solution to this problem, but the problem is often aggravated by a lack of guidelines which can be used to help evaluate advertising and other information sources. In addition, consumers often receive conflicting information.

4. Helplessness occurs when consumers have few or no resources to which they can turn to help solve a consumer problem. When assistance is available, many consumers do not know of it. And, in addition, what help is available is often ineffective. Many consumers rely on their own experience or that of their friends for help in making consumer decisions, but that experience is often of little value.

5. Ignorance occurs when consumers do not possess the knowledge necessary to recognize problem areas and to perform their consumer role effectively. This is not meant to be derogatory, but simply refers to the limited knowledge any consumer might have on some particular topic. In addition, the ever-changing nature of the marketplace soon renders obsolete the knowledges that are possessed.

    Consumer ignorance is usually not the fault of the individual consumer but is the result of inadequate consumer preparation in the schools, the home, etc. Although the individual consumers are not at fault for their ignorance, it is they who suffer the consequences.

6. Apathy is a consumer problem that occurs whenever consumers display an "unconcerned" or "I don't care" attitude toward consumer problems. Consumers are faced with numerous problems in the marketplace and are frequently harmed physically, mentally, or financially. Apathetic consumers make no effort to eliminate these problems or right the wrongs that can and do occur. Essentially, apathy represents a flagrant indifference to one's responsibility as a consumer.

    Consumer apathy is particularly harmful because its effects go beyond the individual who is apathetic. When consumers fail to complain, return defective merchandise, or otherwise stick up for their rights, sellers are free to continue with their harmful practices. Thus other consumers, some of whom may not even know they are being taken, will be harmed. In addition, sellers can continue their harmful practices with little fear of being challenged.

E. Solving Consumer Problems

The solution to most consumer problems ultimately rests with the consumer himself. Enactment of laws or expansion of regulation will fail to protect consumers who fail to help themselves. Even when mechanisms exist to help provide solutions, the consumer must initiate and follow the solution through to its conclusion. Consumers must bear the responsibility of acting, reacting, or just plain speaking out to help correct consumer problems that affect them directly or indirectly. It is to these responsibilities that we now turn.

1. Consumer responsibilities form the backbone of an effort to obtain satisfaction in the marketplace. Consumers who live up to the responsibilities described below not only improve their own level of satisfaction but also help ensure that others receive satisfaction.

    a. The first responsibility of consumers is simply to get satisfaction. Consumers should never settle for less than what is desired. They should comparison shop, choose the best buy, and then complain or refuse to buy the product again if it fails to meet full expectations.

b. Consumers have a responsibility to understand the contracts and legal agreements into which they enter. Every sales transaction, no matter how simple, is a contract in the eyes of the law. Often, consumers bind themselves unwittingly to burdensome contractual agreements and later blame the seller for trickery. In most cases there is no trickery involved and even where there is, the consumer partially causes his own problems by failing to understand the agreement.

c. Consumers should use products in a safe manner, following any safety warnings provided. Products should be used only for the purposes intended. Consumers should inform sellers and manufacturers and government agencies of any safety defects they discover.

d. Consumers have the responsibility to keep themselves informed about products through careful analysis of advertising, use of independent product test results, and by asking questions of sellers. They should keep up to date concerning political issues affecting consumers.

e. Consumers should choose products and services wisely, keeping in mind their personal motivations for buying.

f. Consumers should make themselves heard. They can do this by reporting both favorable and unfavorable incidents to retailers and manufacturers. They can speak up when errors occur or when the quality of goods and services is inferior. They should actively seek redress for wrongs they suffer. This last point is especially important because it can help prevent repetition of the wrongs. This issue of redress is discussed in more detail below.

2. By seeking redress, consumers can have errors corrected and have their complaints and grievances heard and acted upon. In seeking redress, consumers can take both a direct and an indirect approach.

   a. The direct approach should be attempted first. With the direct approach, consumers contact all persons or businesses who were directly involved in selling, distributing, or manufacturing the product. The first step is to contact the seller of the goods. This process should start with the individual salesperson and move up the ladder to the owner or manager. If no satisfaction is obtained from the seller, the consumer should work his way up the distribution network until satisfaction is obtained. Path A on Chart 2 represents the direct approach.

There is an art to complaining which, if practiced, can yield positive results. Consumers should be polite and businesslike in their requests for redress. Name-calling and accusations serve to antagonize sellers rather than motivate them towards cooperation. In any communications with the seller, etc. consumers should make two things perfectly clear. They should state precisely what their grievance is, and they should state precisely what action they want the seller to take in order to right the wrong.

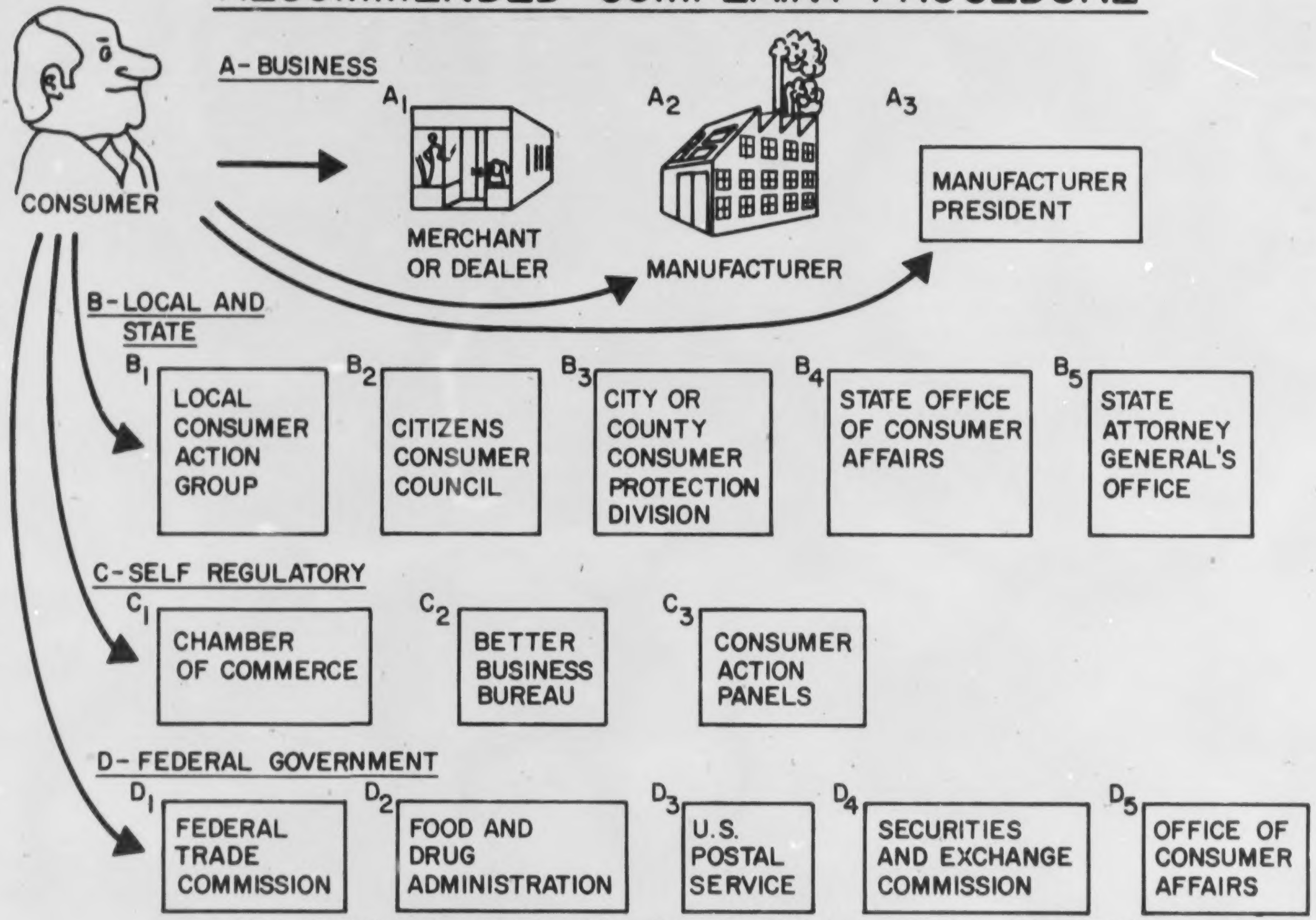
If their request is denied, they should find out why. They should also get the name of the person to whom they speak and should refer to them as they move up the ladder in the organization.

Many times consumers are referred to a complaint department which is staffed by several people. Consumers should try to talk to the same person each time they contact the department. In this way they will always be in contact with someone familiar with their case.

b. The indirect approach is illustrated by Paths B, C and D on Chart 2. It is advisable that consumers use the indirect approach only in tandem with the direct approach. However, even when satisfaction is obtained from the seller, it is often a good idea to let the Better Business Bureau, the Consumer Product Safety Commission, or some other appropriate agency know of the incident.

THE EXTERNAL MONEY WORLD - CHART 2

RECOMMENDED COMPLAINT PROCEDURE



CONSUMER

A- BUSINESS

A_1 MERCHANT OR DEALER

A_2 MANUFACTURER

A_3 MANUFACTURER PRESIDENT

B- LOCAL AND STATE

B_1 LOCAL CONSUMER ACTION GROUP

B_2 CITIZENS CONSUMER COUNCIL

B_3 CITY OR COUNTY CONSUMER PROTECTION DIVISION

B_4 STATE OFFICE OF CONSUMER AFFAIRS

B_5 STATE ATTORNEY GENERAL'S OFFICE

C- SELF REGULATORY

C_1 CHAMBER OF COMMERCE

C_2 BETTER BUSINESS BUREAU

C_3 CONSUMER ACTION PANELS

D- FEDERAL GOVERNMENT

D_1 FEDERAL TRADE COMMISSION

D_2 FOOD AND DRUG ADMINISTRATION

D_3 U.S. POSTAL SERVICE

D_4 SECURITIES AND EXCHANGE COMMISSION

D_5 OFFICE OF CONSUMER AFFAIRS

FOLLOW ROUTES A,B,C, OR D OR FOLLOW ALL ROUTES SIMULTANEOUSLY

Suggested Program Plan

Section 4. The External Money World - The Marketplace

Materials Needed: Overhead projector and screen for showing transparencies of the outline, objectives, and Chart 2a, or sufficient copies of each to pass out to each participant. Chalkboard and chalk.

INTRODUCTION

Notes on Activities	Time	Activity
Before discussing the outline and objectives, pass them out to the group or show them as transparencies. Read and be familiar with the background material for Section 4.	3	Begin the session by stating briefly your personal objectives as group leader for this session on the marketplace. Then go over the objectives and outline for this Section. These can be found at the beginning of Section 4 in the background material.

THE BUYER-SELLER CONFLICT

Notes on Activities	Time	Activity
Take care not to criticize the goals of buyers or sellers. Each acts in his own self interest and it is this self interest which lies at the heart of the effective functioning of a market economy such as ours.	1	The differing goals of buyers and sellers. "Buyers and sellers tend to have similar but basically differing goals. Buyers want to obtain the maximum satisfaction possible. Sellers, on the other hand, want to make a reasonable profit but they know that they also must give satisfaction if they are to stay in business and make that profit.
		"Let's get a little more specific as to the goals of buyers and sellers.
You may want to write the goals on the board.		"First, what are some specific goals of buyers or consumers?"
	2	Draw answers from the audience. "Second, what are some specific goals of sellers?"
	2	Draw answers from the audience. "Now that we have discussed some of the specific goals of buyers and sellers, can any of you see where there might be opportunities for conflict between the two different sets of goals?"
	2	Discuss briefly. "I don't want you to get the impression

Notes on Activities	Time	Activity
		that the conflict between the goals of buyers and the goals of sellers is always bad. In fact, in our economy, we often rely on that conflict to help set prices through the mechanism of supply and demand. What can be bad however, are instances where one side is in a better position to reach its goals than the other."
		CONSUMERS AT A DISADVANTAGE
	5	"I think all of us can think of instances in which consumers are at a disadvantage when trying to reach their goals and maximize satisfaction. Let's see if we can come up with some reasons why this is so. Who would like to give one reason why consumers are often at a disadvantage when dealing with sellers?"
Participants will probably be unable to come up with a list of reasons why consumers are at a disadvantage that is as complete as the one provided in the background material. If necessary, supplement this discussion with information from the background material.		Discussion. Reasons why consumers are often at a disadvantage in the marketplace.
		THE IMPACT OF ADVERTISING
Use Chart 1 in the background material as a basis for this discussion.	2	Purposes of advertising. "We have been talking about the differing goals of buyers and sellers and that there is often conflict between the differing goals. Sellers want the resolution of the conflicts to benefit them. One of the major ways that they attempt to influence consumers' goals is through advertising. Because advertising is so important and because its potential for influencing consumers is so great, we are going to spend the next few minutes talking about advertising. "The first question we want to answer is

Notes on Activities	Time	Activity
		why or for what purposes do sellers advertise? Besides the obvious answer that sellers advertise so they can sell their products what can we say are the purposes for advertising?"
List the purposes on the board.		Use the list of the purposes of advertising that is provided in the background material. "Now that we have a list of purposes let's look more closely at each. Specifically, what are the positive and negative impacts on consumers if sellers achieve the purposes we have listed."
You may need to lead the way by discussing the positive and negative impacts of the first purpose listed.	4	Take each purpose listed and discuss its positive and negative aspects.
	1	The impact of advertising on values, attitudes, goals, and life-styles. "Let's shift gears a moment and look at the impact of advertising in broader terms. We all know that advertising is very common and that just about everywhere we look we can see advertising in one form or another. Advertising has become a powerful, persuasive force in our society. This power goes beyond the economic area and may actually affect the way we live. Do you think advertising affects our values, goals, and life styles? If so, in what way?"
You may want to play "devil's advocate," defending or criticizing advertising if the discussion is too one-sided.	4	Discussion.

TECHNIQUES OF ADVERTISING

	8	"A key to minimizing the negative aspects of advertising and taking advantage of the positive aspects is knowledge; knowledge of the techniques advertisers use. thinking back on ads you have seen recently what are some of the techniques advertisers use to sell their products and services?"

Notes on Activities	Time	Activity
Participants will probably provide examples rather than the techniques themselves. You may need to separate the examples into categories such as those listed in the background materials.		Discussion of advertising techniques.
		"We will be talking a bit more about advertising and how to use the information it provides during the next session. We have concentrated on advertising because it often poses problems for consumers. However, consumers face many other problems and it is to those that we now turn."
	CONSUMER PROBLEMS	
Consult the background information for more detailed explanations of the six categories of consumer problems.	1	"If I asked each of you to make up a list of consumer problems you could probably come up with a fairly long list. Instead of writing such a list, I am going to define six categories and then we will cite some examples from each category.
Write the titles of the categories on the board as they are introduced.		"The first problem area we will discuss is that of fraud. By fraud I mean not only legally defined fraud but also deceptive practices, misrepresentation and misleading statements. Can anybody give us an example of this type of consumer problem?"
	2	Obtain several examples from the group. "Another type of consumer problem is inequities. Inequities occur when one consumer or group of consumers are unable to take advantage of opportunities that others may enjoy. Who can give us an example of a consumer inequity?"
	2	Discuss examples.
		"A third type of consumer problem is overwhelmingness. Overwhelmingness results from the huge volume of information, products, and services available to consumers and from the complexity of the marketplace."

Notes on Activities	Time	Activity
		"What are some examples of the problems of overwhelmingness?"
	2	Discuss examples.
		"Another problem which is often related to overwhelmingness is helplessness. Helplessness occurs when consumers have few or no resources which they can use to solve consumer problems. Can anybody cite an instance or example of helplessness?"
	2	Discuss examples.
		"A fifth type of consumer problem is ignorance. Ignorance occurs when consumers do not possess the knowledge needed to recognize problems or know what to do when they occur. What are some examples of consumer ignorance?"
	2	Discuss examples.
		"The last type of consumer problem is apathy. Many consumers adopt an 'unconcerned' or 'I don't care' attitude towards consumer problems and issues. Instead of coming up with examples of consumer apathy, can anybody come up with a reason why consumer apathy may be the most harmful of all the problems we have discussed?"
	2	Discuss the harm caused by consumer apathy.

SOLVING CONSUMER PROBLEMS

Notes on Activities	Time	Activity
		Consumer responsibilities.
	1	"Talking about consumer problems is good because it helps people see where problems exist. However, simply talking about a problem does not solve it. What is needed is to take some action designed to provide a solution."
		"During the past ten to fifteen years numerous laws have been passed on the national, state, and local levels which were designed to protect consumers and solve consumer problems. In spite of these laws, consumer problems still exist. The laws are good,

Notes on Activities	Time	Activity
		but they simply aren't sufficient to do the job. They need a partner and that partner is the consumer; the consumer who takes the responsibility for protecting his/her rights and solving consumer problems. "Thinking back to the types of consumer problems we have discussed what are some of the consumer's responsibilities?"
Refer to background material and supplement the discussion where needed.	4	Discuss consumer responsibilities.
	1	Seeking redress. "One of the prime responsibilities of consumers is to seek redress when a product or service does not meet expectations. By redress I mean to seek compensation, adjustments, refunds, repairs or some other remedy to correct whatever is wrong with the product or service."
Pass out Chart 2a.	4	"When seeking redress there are two basic approaches; the direct approach and the indirect approach. Chart 2a provides an example of the various approaches." Discuss Chart 2a.

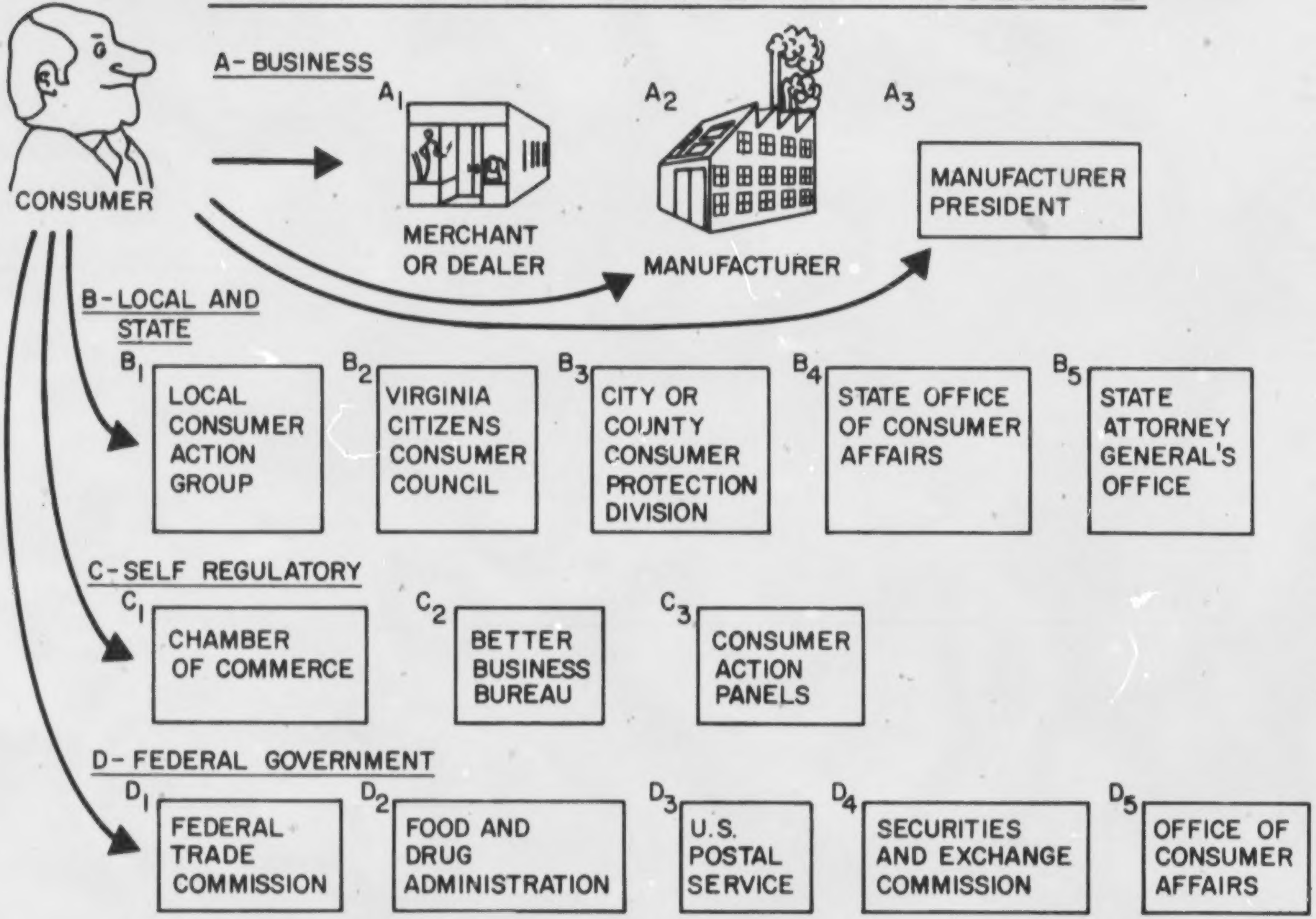
SUMMARY AND CONCLUSION

Notes on Activities	Time	Activity
	2	"Tonight (today) we have attempted to explain a little bit about how the marketplace operates, the problems consumers face, and two solutions to the problems; living up to responsibilities and seeking redress." "Perhaps a few more words on redress would be helpful. There is an art to seeking redress which, if practiced, can yield positive results. You should be polite and businesslike in your request for redress. Namecalling and accusations serve to antagonize sellers rather than make them cooperate. In any communications with the seller or anyone else you are talking or writing to you should make two things

Notes on Activities	Time	Activity
		very clear. First, you should state exactly what is wrong with the product or what your grievance is. Second, you should state precisely what action you want the seller to take in order to right the wrong." "There is no guarantee that you will get satisfaction every time you complain. But, if you follow the approaches illustrated on the Chart and you state your complaint in the proper manner, your chances of being satisfied are greatly enhanced."

THE EXTERNAL MONEY WORLD - CHART 2a

RECOMMENDED COMPLAINT PROCEDURE



CONSUMER

A- BUSINESS

A1 MERCHANT OR DEALER

A2 MANUFACTURER

A3 MANUFACTURER PRESIDENT

B- LOCAL AND STATE

B1 LOCAL CONSUMER ACTION GROUP

B2 VIRGINIA CITIZENS CONSUMER COUNCIL

B3 CITY OR COUNTY CONSUMER PROTECTION DIVISION

B4 STATE OFFICE OF CONSUMER AFFAIRS

B5 STATE ATTORNEY GENERAL'S OFFICE

C- SELF REGULATORY

C1 CHAMBER OF COMMERCE

C2 BETTER BUSINESS BUREAU

C3 CONSUMER ACTION PANELS

D- FEDERAL GOVERNMENT

D1 FEDERAL TRADE COMMISSION

D2 FOOD AND DRUG ADMINISTRATION

D3 U.S. POSTAL SERVICE

D4 SECURITIES AND EXCHANGE COMMISSION

D5 OFFICE OF CONSUMER AFFAIRS

FOLLOW ROUTES A,B,C, OR D OR FOLLOW ALL ROUTES SIMULTANEOUSLY

OBJECTIVES:

SECTION 5. SHARPENING BUYING SKILLS

Major Objective:

To enable consumers to improve their buying skills through the application of some simple wise buying principles and the use of readily available product information.

Specific Objectives:

To explore the costs and benefits of making more careful purchase decisions.

To outline the steps to be taken when making wise buying decisions.

To provide guidelines as to when it is beneficial to put extra effort into gathering product information.

To list major sources of product information.

To describe how to make optimum use of the major sources of product information.

To provide the basic information needed to understand warranties and service contracts.

Learner Competencies:

To be able to accurately weigh the costs and benefits of making more careful purchase decisions.

Know the steps needed to make wise buying decisions.

Know when it is most beneficial to put extra effort into gathering product information.

List the major sources of product information and know their strengths and weaknesses and how to put them into optimum use.

Define the various types of warranties and know how much protection each can offer to consumers.

Define service contracts and how they differ from warranties.

PROGRAM OUTLINE

Section 5. Sharpening Buying Skills

A. Wise buying

1. The costs and benefits of careful purchase decisions
2. Allowing for "tastes" when making product decisions
3. All decisions are based on partial information

B. How to be a wise buyer

1. Know what you need, want and can afford
2. Obtain information
3. Shop for the best deal and price
4. Bargain for a better deal and price
5. Make the purchase decision
6. Evaluate and adjust the decision

C. How much product information should be gathered

D. Information sources

1. Advertising
2. Sales personnel
3. Product labels and tags
4. Friends and other "experts"
5. Independent consumer publications
6. Government publications

E. Warranties and service contracts

1. Implied warranties
2. Full and limited warranties
3. Spoken warranties
4. Service contracts

Section 5. Sharpening Buying Skills

Many consumers shy away from putting extensive effort into choosing products and services. They feel the gains aren't worth the pains. This attitude may be justifiable if the person has accurately calculated the costs of improving the purchase decision-making process and compared these costs with the relevant gains to be achieved by making such improvements. The problem is that many people do not realize how easy it is to make better purchase decisions, get higher quality, and save money in the process. In this section we address the problem and apply some simple principles of wise buying.

A. Wise Buying: It's a Personal Matter

Choosing goods and services is an art rather than a precise science. Like any artistic endeavor the beauty which results lies in the eyes of the beholder. Similarly, only the purchaser of a good or service can decide whether the proper decision was made, and if he/she could have improved the decision by being a more careful shopper.

Teaching people to be wise buyers involves more than just pointing out the "best buys." This is because no one product is best for all consumers. What needs to be taught are buying decision skills which consumers can use to select those products which best fit their own preferences and the uses to which the product will be put. By putting an appropriate amount of effort into making a purchase decision, consumers can obtain products and services which yield the desired level of satisfaction. However, deciding how much effort is appropriate and what is the desired level of satisfaction is a decision for the individual, alone, to make.

1. The costs and benefits of making a careful purchase decision will vary from individual to individual.

    a. Costs will vary because everybody puts a different price on their time. The person who has a very busy schedule may put a high price tag on his time and would pay a high time cost for an extensive product search. At the other end of the spectrum, a person who has much extra time on his hands may be quite willing to spend a considerable amount of time shopping around before making a purchase.

       Costs will also vary for other reasons. Some people simply do not enjoy shopping. Also, others have little expertise in evaluating products and it is difficult for them to do so. In essence, it is the costs that a person perceives that matter and rarely can these be specified or measured by others.

    b. The benefits derived from making a careful product decision also vary from consumer to consumer. There are two categories of these benefits. Tangible benefits are those that can readily be seen in terms of reduced costs or observeable improvements in product quality. For example, an extensive product search for a good used car may yield a car that will give many miles of reliable service. Or, comparison shopping for auto insurance can result in savings of hundreds of dollars per year.

There are also intangible benefits from making careful product decisions. Some people simply enjoy shopping. Others have hobbies or special interests which require shopping and making purchases. These hobbies can provide intangible benefits far beyond the tangible benefits of the products themselves. An example is the enjoyment many people receive from going to antique auctions even when they buy nothing.

It should be remembered that whether the benefits of the product search are tangible or intangible, it is the individual who determines what those benefits are and how much benefit is received.

2. Tastes must be respected as valid criteria for purchase decisions. Very few products are evaluated on the basis of price alone. Even salt comes in several brands which are chemically identical but which have differing prices. Some people are willing to buy a higher priced brand of salt because to them it is somehow better. Being better in their mind, it yields more satisfaction to that buyer and he/she is willing to pay a little extra for the increased satisfaction.

   When trying to help people make product choices it is important that they realize the role played by their tastes. The buying process is not entirely a matter of dollars and cents. Feelings and tastes enter the decision process. This is good. The problems lie not in the tastes themselves but in the amounts spent to satisfy those tastes. Buyers must consider how much extra they pay for a product which is perfectly suited to their tastes. If they fully understand that they often pay more to satisfy tastes, and they are willing to do so, even if it means that some other goals can't be met, then they have made a purchase decision which is, for them, rational.

3. All purchase decisions are based on partial information. It is impossible for everyone to know everything about the products they buy and why they buy them. The buying process begins with a desire or need, moves into an information gathering stage which ends in a purchase (or not purchase) decision which is analyzed and another need or desire may be generated. At each stage the consumer must weigh the cost of information gathering and analysis against the benefits of increased satisfaction and/or lower price. To the extent that consumers do not weigh these costs and benefits they are not being wise buyers.

B. How to be a Wise Buyer

Becoming a wise buyer is essentially learning to make intelligent decisions. The basic decision steps form the framework for wise buying. The first step is to find out what you need, want, and can afford (identify the problem). The next step is to gather information (list the alternatives). Next you should shop around for best buys and bargain for a lower price if possible (evaluate alternatives). After shopping around you decide what to buy on the basis of what you found out (decide). Lastly, you should determine if you made the proper decision (evaluate and adjust). Such an evaluation will increase your chances of making an appropriate decision next time. These steps are discussed in greater detail below.

1. Know what you need, want, and can afford. It is useful here to begin thinking of products as being bundles of attributes rather than as a single entity. A car provides more than just transportation. It also has attributes of power, prestige, comfort, luxury, style, beauty, convenience, safety, reliability, and many others. Every car has different attributes and different levels of attributes. Consumers must decide which attributes are needed, which are wanted, and which they can and cannot afford.

    a. Needs are those attributes which are absolutely essential in order for the product to fit the uses to which it will be put. This implies that the purchaser knows what those uses are before he buys a product. Buying a heavy duty power saw to do a little pruning around the yard is not a good example of buying to fit the use. In this case, the attributes of a small hand saw may be sufficient to meet the uses for which it is needed.

    b. Wants are those attributes which are not necessary to get the job done. They do add to the overall satisfaction with the purchase, however. In our power saw example, the buyer may want the prestige of owning a power saw just like everybody else on his block. He may get pleasure out of thinking of himself as a rough-tough lumberjack. (If you think this is a silly thought, look at the TV ads for power saws.) Or he may simply want to make the little sawing jobs easier. These wants are certainly valid, but they must be recognized for what they are and judged accordingly. It is important that wants be given a priority according to the satisfactions that they provide. In this way, their relative importance can be determined.

    c. After needs and wants have been determined, the consumer's next step is to find out how much he can afford. Many people incorrectly put this step first and then determine wants and needs. This can be a mistake. Let's say a person first determines that he can afford to spend $7,000 on a new car. For this $7,000 he can certainly meet all his needs and a goodly portion of his wants. In fact, instead of carefully evaluating his wants, he may just choose options until the $7,000 is spent.

If this person had determined and evaluated his wants first, he may have found that he could meet all his needs and his high priority wants for $6,000. The savings of $1,000 could then be spent on some other products which yield more satisfaction than the $1,000 worth of extra options on the new car, or could have even been saved. The lesson here is that just because we can afford something does not mean we should buy it.

2. Obtain information about the product. Such information can help consumers find out what attributes are available and at what cost. For large, infrequent purchases, the amount of information gathered can be quite extensive. Products which are purchased frequently and which are low in price are purchased with little or no information having been gathered. For these types of products, the information gathered from past experience is all that is used or typically needed.

   It is in the area of information that the seller has greatest advantage over buyers. Sellers know their products and they know their customers. They know what motivates people to buy, what product features are most likely to trigger a sale, and they know how to take advantage of consumer ignorance. Consumers contribute to the problem by allowing themselves to rely extensively on seller-provided information.

   This is not to say that information provided by a seller is not valuable. But buyers must consider the sellers' goals. Sellers rarely volunteer any negative product information. And they usually want to sell more product attributes rather than less. In order to overcome this problem, buyers must gather their information from a variety of sources. These will be discussed in more detail below.

3. Shop around for the best deals. Comparison shopping has great potential for increasing satisfaction while at the same time it can yield significant savings in terms of price. Price differences for identical automobile insurance policies from different companies can be as much as several hundred dollars per year. Food prices can vary as much as 20% from store to store. Interest rates on credit transactions can range from 5 to 48 percent as an annual percentage rate. Quality differences can be great, also. And it is sometimes the small, little-known seller who gives the best deals.

   In order to take advantage of comparison shopping, consumers must have some knowledge about what constitutes high and low quality and what is the average price of a product. Average prices can be determined with little effort. Let's say that a consumer knows he will need tires for his car within a couple of months. By reading the tire ads for a month or two he can get an idea of the prices that various types and styles of tires are currently selling for. When he is ready to make a purchase he will know if a sale price is really a significant reduction from the regular price. Quality differences are harder to get a handle on, but it is helpful to stay current rather than to quickly try to learn about a product just before it is to be purchased.

4. Bargaining for a better price, easier credit terms, or free services and options need not be a lost art. After a consumer has gathered

information and done some comparison shopping, he is armed with knowledge. Such knowledge can be used to persuade sellers to lower a price or make some other concession. This type of bargaining is most prevalent for big ticket items and with small sellers.

The technique used in bargaining varies with circumstance, but is similar to techniques used by sellers. A good salesperson will slowly bring a buyer to a point where, for example, he can visualize himself driving off in a new car. He does this because once a buyer begins to start thinking of himself as "an owner," closing the sale is much easier. Buyers can do the same thing to sellers.

The key element in bargaining is realizing that sellers want to sell as much as buyers want to buy. Just before the sale is about to be closed the seller can "smell success." He or she will have invested considerable time and effort in trying to make the sale. He will not want to come away without making a sale and can often be persuaded to lower a price, give free alterations, throw in that extra lamp, or provide an extended warranty (get it in writing).

In most cases nothing is lost by bargaining. If the seller refuses, the purchase can still be made according to the agreed-upon terms. In some cases, such as with automobiles, such bargaining is expected and encouraged! Buyers who do not take advantage of such opportunities can actually throw away money because sellers raise their initial asking price in anticipation that bargaining will take place. Perhaps some tips for bargainers are needed.

a. Be careful when the seller initiates bargaining. He usually has planned all along to give a "special deal." If the seller offers a deal don't be afraid to go him one better and bargain for an even lower price or better deal.

b. Give the impression that you really want to buy, but need just a little more "sweetener" in the deal. Don't give the impression that you would buy anyway, even if you would.

c. Be specific in what you want the seller to do. If you want the seller to lower the price $10, say so!

d. Be prepared to have a few deals fall through. But do not be surprised if the seller later telephones you at home and accepts your terms.

e. Don't feel that you are being rude or are taking advantage of the seller. He is a "pro" and all you are doing is evening up the score. Furthermore, sellers don't give up anything they can't afford to give up. If they are already at a rock-bottom price, they will not bargain any further.

Bargaining is an art. If practiced properly, a consumer can improve his satisfaction and buy at lower prices. And who knows, it may even be fun!

5. The decision to buy or not buy should be almost automatic. If buyers:

   a. know what product attributes they need, want, and can afford,

   b. have armed themselves with information,

   c. have comparison shopped and searched for the best deal,

   d. and have taken advantage of any opportunities for bargaining

   they are ready and able to make a decision. Consumers who have trouble making product decisions have probably failed to prepare sufficiently to make the decision.

6. Evaluation of a buying decision is the last step in the buying process. If a decision has been made which yields satisfaction, the buyer can use that knowledge the next time he buys that type of product or something similar. That is why products which are purchased often are not usually purchased on the basis of extensive decision-making effort. Consumers who say they don't evaluate should consider the fact that the biggest readers of automobile ads are those people who have recently purchased a new car and who want to confirm and be reassured that they made the right decision.

C. Deciding How Much Product Information to Gather

Most people know that gathering product information and comparison shopping can be beneficial. They also know that these things take time and effort, and sometimes cost money. The question is not only whether to seek information and comparison shop but also how much information seeking and comparison shopping should be done. Fortunately, there are some indicators as to when it is worthwhile to spend some extra effort searching for more and better purchase information. These efforts should generally be expanded when:

1. The purchaser has had little or no experience with the product. Ignorance is said to be bliss, but when buying a product ignorance can be dangerous besides wasting money.

2. The price of the item is high. When a product or service has a high price or represents a large portion of the budget, any mistake can result in substantial overspending. An extensive search for the best buy can reduce the risk of such problems occurring.

3. The benefits of the search exceed its costs. This is obvious to most people. What isn't obvious is what those exact benefits and costs are. As has been mentioned previously, the individual is the best judge of the benefits and costs of a product search. What people need to do is take some time to seriously consider benefits and costs. Most of us just assume that we don't have enough time and that a product search won't be worth the effort. Such assumptions are often incorrect.

4. Income and/or financial resources are low. People who are in financial difficulty can ill afford the consequences of an unwise purchase. Effective money management requires that consumers consider carefully what they spend their money on as well as how much they spend.

5. There is a large variation in price and/or quality. For many products price and quality can vary widely. A good example is furniture. The furniture for a bedroom can range from a low of $500 to a high of $5,000 and up with corresponding quality differences also available.
   These variations are most likely to occur when:

   a. Sellers charge different prices to different customers (cars, furniture, housing).

   b. There is a large number of competing brands or products which are similar yet different.

   c. When tastes are important or exceed the importance of the function of the product.

   d. Consumers are ignorant as to what constitutes high quality and/or what is a low price; some sellers take advantage of this ignorance.

   e. There are a large number of sellers.

D. Information Sources: Using and Evaluating Them

In reality, consumers have access to more product information than they can or do use. The problems are that some of the information is hard to find, some is hard to understand, some is of very little value, and some of it is downright misleading and harmful. Consumers must learn where product information can be obtained, how to evaluate it and how to understand it. The information provided below should help you lead group activities designed to help participants become more effective users of product information.

1. Advertising can be a valuable source of product information *if* it is used properly and *if* its limitations are recognized. Ads can provide information on price, product uses, product features, credit terms, and even a product's technical specifications. Furthermore, it is often through advertising that a consumer first finds out about a product.
   In spite of advertising's informational value, it can be one of the most hazardous sources of information to use. Sellers do not wish to say anything negative about their product. Nor do they typically want to put limitations on its recommended uses. Ads are invariably positive in their treatment of the product, sometimes recommend its use where it is only marginally applicable, and often over-dramatize the benefits which result from buying and using the product.
   Advertising uses emotional as well as factual appeals in an

effort to sell products. Separating the facts from the fantasies is often difficult. The best thing to do is use only that information which is obviously true or is easily verified. Things like price, package size, ingredients and product features can generally be relied upon. But when an ad addresses itself to the fantastic benefits of the product and how much better the product performs compared to its competition, then a good dose of skepticism is in order.

2. Sales Personnel. Many products, especially those which are high priced, are sold through a salesperson. These people can often be the source of valuable product information. Most salespeople are professional and conscientious and want to sell a product which will best meet the buyer's needs. They know that by building goodwill they can reap the harvest of repeat purchases. Some salespeople, however, know little about the product they are selling or, worse, will deliberately mislead a customer.

   A consumer's best defense against unscrupulous salespeople is knowledge. If a consumer knows what he needs and wants in terms of product features and has an idea what products and brands are available at what price, he is in a position to gain from the services of a salesperson. Salespeople should be used for verification of information that the consumer already has obtained as well as a source of new information which should then be verified by another source. If a consumer has not gathered information before contacting a salesperson, he will be unable to judge the accuracy of a salesperson's claims.

3. Product Labels and Tags can be a valuable source of information. They can provide information on a product's ingredients, care and maintenance, uses, features, price, size, and on many other factors which can aid decision making. In some cases the information is presented in a consistent format which has been prescribed by law. This can aid in making comparisons between products.

   A problem with product labels is that they are difficult for many people to understand. Ingredient lists on foods and cosmetics can sometimes be full of scientific terms. How many people know that the ingredients listed on the front of a can of beans are listed in order of their relative amounts? How many people understand the significance of, or how to use, the nutritional information provided on many food products? Much information is available from product labels and tags. Consumers must learn how to use it.

4. Friends and Lay "Experts" can also be a valuable source of information. Often they provide information on what products not to buy as well as what to buy. Knowing what products have been unsatisfactory purchases for friends can be as helpful as positive information because it helps narrow the list of choices. This negative information is less likely to be obtained from other sources.

   When using information provided by friends, some cautions are in order. One is that many people who give advice are not very knowledgeable about the product or service. Secondly, even if the product or service fits their needs, there is no guarantee that the same product or service will fit someone else's needs. Like the information obtained from any source, the advice of friends is most reliable when it is corroborated by other sources.

5. Independent Consumer Publications. There are several periodicals available which test products and publish the results. Consumer Reports and Consumer's Research Magazine are two such magazines which are completely independent and which accept no advertising. Because of this, these publications can avoid pressures to change or withhold test results which are unfavorable to a certain brand or producer.

   It is not necessary to purchase these publications (although their continued existence requires that they be purchased by some consumers) in order to benefit from their information. Most public libraries have current and past issues available to the public for reading. If a consumer wishes to purchase the magazines, single issues are available at most well-stocked newsstands or subscriptions can be purchased.

   Consumer Reports and Consumer's Research Magazine are two of the most useful sources of independent product information. Each month they publish full test results for four to six products such as compact cars, hair dryers, tuna fish, or audio equipment. The test results are presented in a multi-page article which includes a chart outlining how various brands were rated on the various tests. For those in a hurry, the charts can be used without reading the entire article. Also in each issue are a number of shorter articles and notes on various products and consumer concerns.

   By going back one or two years through the issues of these magazines, a consumer can usually find information on a product he or she may wish to purchase. Each issue of Consumer Reports contains an index of those products tested in the past year. Consumer's Research Magazine publishes a full index yearly in January. Thus by looking at the most recent index a consumer can find out if his product has been tested in the past year. If not, he could go back to a one-year-old issue, consult its index, and find out if the product had been written about in the year previous to that issue.

   In addition to these independent publications there are other magazines which, although they do contain advertising, also publish articles which evaluate and rate products. These include such magazines as Mechanics Illustrated, Popular Science, Better Homes and Gardens, American Home, and many others. These publications often can provide valuable, up-to-date information although it may be more biased than the two magazines mentioned above.

6. Government Publications. The government publishes numerous pamphlets on various products, services, and consumer problems. Many are free and for those that are not a very small fee is usually charged. Every three months a free catalog entitled "The Consumer Information Catalog" is published which contains a selection of available pamphlets. Multiple free copies of the catalog can be obtained by writing to Consumer Information Center, Pueblo, Colorado 81009. It is suggested that you write for enough catalogs to provide one to each of the program participants. Simply drop a note to the above address asking for the needed number of copies of the most

recent edition of "The Consumer Information Catalog". You will receive the copies within two to three weeks.

E. Warranties and Service Contracts.

Warranties and guarantees are the same thing. Under Federal law, products which sell for over $15 and which have a warranty are required to have that warranty clearly identified as being either a full or limited warranty. However, there is no requirement under Federal law that a warranty be given, however most states have laws covering implied warranties. Service contracts are usually just extended warranties for which some charge is made.

1. Implied Warranties are so named because they need not be stated or written down in order to be in effect. What is warranted under an implied warranty varies from state to state but there are two fairly universal provisions. First is a warranty that the product is "merchantable." This means that the product is of high enough quality to be used in the ordinary ways, i.e. an iron will iron clothes. The second is an implied "warranty of fitness for a particular purpose." For example, let's say you go into a paint shop and tell the salesperson that you need some paint to use on a cement basement wall. Whatever paint he sells you carries an implied warranty that it will work on cement basement walls. This is because he knows how you will use the paint and you are relying on his expertise to sell you a product that will do the job. Sellers can sometimes avoid giving an implied warranty by explicitly stating that none is given, but state laws prevail.

2. Full Warranties are written and can be identified by the words FULL WARRANTY which must be prominently displayed on the warranty card or panel. Whenever a full warranty is given, a buyer is being told that the product will be fixed or replaced free within a stated period. The person seeking to enforce the warranty need not be the original owner and he/she cannot be required to do anything unreasonable to get the product fixed (i.e. send a furnace back to the factory).

   One caution about full warranties needs to be pointed out. Sometimes the full warranty only applies to one part of a product such as the picture tube on a TV set. The remainder of the product may not be warranted at all. Consumers should always check what parts of a product the warranty covers.

3. Limited Warranties are also written and can be identified by the words LIMITED WARRANTY which must appear prominently on the warranty card or panel. As with all written warranties, limited warranties must be made available for customer inspection before the sale is made and they must be written in plain English with no small print. This is very helpful because a limited warranty needs to be read carefully to determine what it will and will not cover. In many cases a limited warranty covers those parts of a product which are not covered by a full warranty.

4. Spoken Warranties can also be given, but they are usually not

worth anything at all. In the first place, if there is a written warranty, any verbal explanation of it cannot be enforced; only the written words are legally enforceable. Thus, if there is a written warranty any verbal promises made by a seller can be ignored and the written warranty is the only valid source of information. Second, even if there is no written warranty and the verbal warranty is enforceable, it is very difficult to prove that an oral promise was made. CAUTION: No warranty (implied, written, or spoken) is enforceable anytime a seller states in writing that a product is being sold "as is" or otherwise declares in writing that no warranties are given.

5. Service Contracts are often sold as an "extra" when buying cars and appliances. They are not warranties. Warranties come with a product at no additional charge. Service contracts cost money. Service contracts usually extend the provisions of a warranty for a longer period of time or in terms of what parts of the product are covered. Because they cost money the purchase of a service contract requires that consumers take the time to determine exactly what benefits they are getting and whether they are really worth the cost, and most service contracts are costly.

Suggested Program Plan

Section 5. Sharpening Buying Skills

Materials Needed: Overhead projector and screen for showing transparencies of the outline and objectives. Or, sufficient copies of each to pass out to the group. Chalkboard and chalk.

INTRODUCTION

Notes on Activities	Time	Activity
Show the outline and objectives as a transparency or pass out copies to the group.	4	Begin the session by stating briefly your objectives as group leader. Then go over the objectives and outline for this Section. These can be found at the beginning of Section 5.
		WISE BUYING
Be familiar with the background material.	2	Its costs and benefits. "I am sure that all of you have heard many times that one of the best ways to fight inflation is to be a careful shopper. It is said that if you watch for sales, compare prices and quality and consider each purchase decision carefully you can minimize inflation's impact. "The question that we want to answer is whether careful shopping is worthwhile. Many people believe it is possible to benefit from careful shopping. Other people think that it is often a waste of time and not worth the effort required. "In order to answer our question we need to look at the benefits and costs of wise buying. Then we can weigh the benefits against the costs in order to come up with an answer. "Our first step is to consider the costs of putting extra efforts into shopping for goods and services. What are some of these costs?"
You may want to write these on the board.	2	Discuss.
Make sure that both the tangible and the intangible benefits are brought out in the discussion.		"Now that we know some of the costs, what are some of the benefits of wise buying?"
	2	Discuss.

Notes on Activities	Time	Activity
	2	Costs and benefits vary. "I think we can see from our discussion that the costs and benefits of wise buying can vary from individual to individual. Some people have very little spare time or others simply hate shopping. These people would pay higher personal costs when expanding their wise buying efforts. "The costs and benefits also vary from product to product. Some products such as salt require very little thought when they are purchased. Others such as automobiles might require a month or more of shopping around. "What is important to realize is that wise buying has both costs and benefits. There are also costs and benefits of NOT shopping carefully. These costs and benefits should be considered carefully before deciding on how much shopping around to do."
	5	Tastes as an influence on product decisions. "Before we move on, we should take a few minutes to consider how to handle tastes and preferences when making product decisions. Many people resist advice about products and purchases because they know what they like and do not need or want to be told which product is supposedly the best buy. Do you think such resistance is justified?" Discuss. "How much influence should tastes and preferences have when deciding to buy a product or service." Discuss. "The thing we should remember about tastes and preferences is that unless we buy what we like, we are not going to be satisfied with our purchases. We should also realize however, that often you pay extra in order to satisfy tastes. Automobiles are a good example of this. A perfectly functional car can be purchased for a fairly low price. However, when you start adding taste satisfying options the price of the car can go up very quickly. People should realize how much extra they pay to satisfy their tastes. If they are willing to pay the price okay but they should realize that they are paying extra."

Notes on Activities	Time	Activity
	2	All purchase decisions are based on partial information. "Before we go on to discuss product decision making in more detail, I want to make an important point. That is that when we buy a product or a service, we do so on the basis of incomplete information. We can never hope to know everything possible about the things we buy. This does not mean we should give up the quest for more knowledge. This is especially true when such knowledge is fairly easy to obtain as product knowledge often is. Any information we can gather will make it more likely that we will be satisfied with the way we spend our money and the value we obtain in return."
	HOW TO BE A WISE BUYER	
Write the six decision making steps on the board as the are discussed.	3	Know what you need, want and can afford. "Becoming a wise buyer is essentially learning to make careful buying decisions. Like any decision making process there are a series of steps which if used appropriately will result in a satisfying decision being made. The first step in wise buying is to know what you need, what you want, and what you can afford. Let's discuss this step in more detail and let's use as an example the purchase of a new car. When you buy a new car what product attributes do you really need?"
Emphasize the following: 1. The difference between needs and wants. 2. Products as being bundles of attributes. 3. Why you should not decide what you can afford before you determine your needs and wants. See background material.		Discussion of needs, wants and what you can afford in terms of purchasing a new automobile.
	2	Obtain information. "The second step is to gather information about the product. I might point out before we go too much further that these decision steps often overlap and several may be occurring at the same time. Going

Notes on Activities	Time	Activity
		back to our new car example, what types of information would you gather?" Discussion.
See background material.	2	Shop around for the best deal. "The third step is to shop around for the best deal. This is often called comparison shopping. This step often occurs at the same time as the second step. We all know that shopping for the best deal can be very important when buying a car. For what other products is it usually a good idea to shop around?" Discuss.
See background material.	4	Bargaining for a better deal. "A fourth step is to bargain for a better deal or a better price. This is an interesting step because it is often neglected by consumers. Has anybody in the group recently bought a product where they bargained or haggled with the seller?" Hopefully someone will have. If not, be prepared to discuss an example of your own. Then go over the "tips for bargainers" in part B, 4 in the background material. Discussion of bargaining.
	2	Make the decision. "The next step is to make the decision. Sometimes it is hard to decide which brand or model to buy or whether to buy anything at all. But at least there is comfort in knowing that by following the first four steps you are in a better position to make a decision than you otherwise would be."
	2	Evaluate and adjust the decision. "The last step is to evaluate the decision and on the basis of the evaluation adjust your buying habits. People do this all the time when they say, 'That new product really did the job. I'll buy it again next time.' The key element in this step is to learn from your mistakes and your successes."
		"By following the six steps we have discussed (repeat the steps by reading from the board) you will increase your satisfaction with the products you buy. The amount of detail that goes into a buying decision

Notes on Activities	Time	Activity
		will vary from product to product. However, in every case each step should be considered, even for a moment. It is better to analyze too much than too little."
	GATHERING INFORMATION	
See part C in the background information. Use the five indicators provided in part C to supplement the discussion where needed for completeness.	5	"Of all the steps we have just talked about, the second and third steps, gathering information and shopping around, pose the most problems. The biggest difficulty is knowing how much information to gather and how much shopping around to do. There are, however, certain indicators which can show when it is a good idea to gather extra information. Can anybody suggest circumstances or types of products which would indicate that it is a good idea to gather extra product information?" Discuss.
	SOURCES OF PRODUCT INFORMATION	
Be very familiar with the information provided in part D of the background material. These discussions should be free enough to allow participants to share their different levels of expertise. Your role will be to provide a more complete analysis if certain sources are not mentioned or certain strengths or weaknesses are left out.	1	Their strengths and weaknesses. "In the outline provided with this session is a list of sources of product information. What we are going to do now is discuss each of those sources in terms of its strengths and weaknesses. By that I mean we want to find out how each of the sources can help us make better decisions and what things the sources can not do or some with the information provided by those sources. "To start off, let us discuss advertising. What are the strengths and weaknesses of advertising in terms of its ability to provide us with product information?"
	12	Discuss each of the six sources in turn. Advertising Sales Personnel Product Labels and Tags Friends and Lay "Experts" Independent Consumer Publications Government Publications Summarize by stating: "The key to gathering and using product information is to rely on several sources of information. In that way their

Notes on Activities	Time	Activity
		strengths and weaknesses cancel out. Also, when you get the same information from several sources you can be more sure that the information is accurate."

WARRANTIES AND SERVICE CONTRACTS

Write the names of the four types of warranties on the board.	4	Warranties. "Basically there are four types of warranties; implied, full, limited and spoken. The designation implied warranty covers unspoken and unwritten warranties which are required by the laws of the various states. Full and limited warranties are designations given to warranties which are regulated by Federal law. Spoken warranties are just what the name implies. They are unwritten, verbal assurances made by sellers."
See background material.		Discuss each in more detail as time permits.
	1	Service contracts. "Service contracts are often confused with, but are not warranties. Often they are extensions of warranties; taking over when they expire. Service contracts cost extra money and like any other product or service should be evaluated so that you can determine if they are worth the cost. Often they are so narrowly restricted that the benefits that they provide are not worth the cost. Sometimes the opposite is true. Each case should be judged on its merits."

SUMMARY AND CONCLUSION

While these materials provide only one session on wise buying, a large number of questions may indicate a need for a session on a special topic such as food or car buying.	3	"During this session on wise buying we have covered quite a bit of information but most of it was fairly general in nature. We did not talk about how to buy specific products but tried to present some ideas which can be applied when buying any product. As you put some of these ideas into practice you will be able to build your expertise. Are there any questions?" Answer any that arise. Being that this is the last session you may want to say a few words about how you feel the group has progressed and what they have learned.

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